Calendar No. 711

100TH CONGRESS *2d Session*	SENATE	REPORT 100-377

FAMILY SECURITY ACT OF 1988

REPORT

OF THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ON

S. 1511

together with

ADDITIONAL VIEWS

MAY 27 (legislative day, MAY 18), 1988.—Ordered to be printed

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U.S. GOVERNMENT PRINTING OFFICE
85-123 WASHINGTON : 1988

S363-3

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FAMILY SECURITY ACT OF 1988

MAY 27 (legislative day, MAY 18), 1988.—Ordered to be printed

Mr. BENTSEN, from the Committee on Finance, submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany S. 1511]

The Committee on Finance, to which was referred the bill (S. 1511) to amend title IV of the Social Security Act to replace the AFDC program with a comprehensive program of mandatory child support and work training which provides for transitional child care and medical assistance, benefits improvement, and mandatory extension of coverage to two-parent families, and which reflects a general emphasis on shared and reciprocal obligation, program innovation, and organizational renewal, having considered the same, reports favorably thereon with an amendment in the nature of a substitute, and recommends that the bill as amended do pass.

I. SUMMARY OF MAJOR PROVISIONS

The bill, S. 1511, is designed to restructure the basic program of public assistance for families in ways that emphasize parental responsibility through the enforcement of child support and expanded opportunities in education and training.

Child support enforcement.—The bill strengthens the child support enforcement system by requiring States:

—to establish guidelines which must be used in setting child support awards,

—to provide mechanisms which will facilitate the periodic updating of child support awards, and

—to institute a system of immediate wage withholding for all new or revised child support cases which are being enforced by the State child support agency.

Education, employment and training.—The bill provides for a new JOBS program for welfare recipients under which States may provide a broad array of education, employment, and training activities aimed at helping and requiring welfare recipients to move from welfare to employment. This JOBS program will replace the current WIN program and build on the experience of several successful State demonstration programs over the past several years by providing an assured Federal funding commitment and an improved administrative structure at both the Federal and State levels.

Transitional assistance.—To facilitate the transition from welfare to work, the bill provides for subsidized child care for a period of nine months after a family leaves welfare. Medicaid coverage will also be provided for six months, with an additional 6 months available subject to the payment of an income-related premium.

Assistance to families of unemployed parents.—The bill requires all States to assist needy families in which both parents are present but the principal earner is unemployed. Such assistance may be provided through a time-limited employment-oriented transitional program aimed at restoring the parents to productive employment.

Budget neutral legislation.—Over the next five years, the proposed legislation is estimated to have a cost of $2.6 billion. This cost will be entirely offset by other provisions in the bill which provide for the collection of debts owed the Federal government from tax refunds and which phase out the dependent care credit for families with income above $70,000. Overall, the bill will slightly decrease the Federal deficit.

A more detailed summary of S. 1511 follows.

Child Support Enforcement

S. 1511 includes the following provisions designed to strengthen the child support enforcement program:

Establishing paternity.—The bill provides 90 percent Federal matching for laboratory testing involved in establishing paternity, and requires States to meet minimum paternity establishment standards.

Use of guidelines in setting child support award amounts.—States must establish guidelines that are binding on judges and other officials unless there is good cause. The bill requires the States to develop programs for periodic review of child support awards within one year after enactment. Effective five years after enactment, States must provide biennial review of all child support awards that are being enforced by the child support agency upon request of either parent. The bill authorizes demonstration projects to test and evaluate model procedures for reviewing awards.

Wage withholding.—States must have procedures for immediate wage withholding (without waiting for an arrearage) with respect to all new or modified orders that are being enforced by the child support enforcement agency unless: (1) the State finds good cause,

or (2) both parties agree to an alternative arrangement. Immediate wage withholding will apply to old orders if the custodial parent requests it, and the State determines that it is appropriate to grant the request. The Secretary must conduct a study of the feasibility and effects of requiring immediate wage withholding for orders that are not being enforced by State child support enforcement agencies.

Commission on interstate enforcement.—The bill establishes a Commission on Interstate Child Support to make recommendations to improve interstate enforcement and to make recommendations concerning the Uniform Reciprocal Enforcement of Support Act.

Automated tracking and monitoring system.—States must develop a Federally-approved statewide system to monitor child support cases that are being enforced by the child support enforcement agency.

Use of social security number.—States must require parents to furnish their social security numbers upon birth of a child (but they need not be recorded on the birth certificate).

Visitation and custody.—The bill authorizes $5 million for each of 2 years to fund demonstration projects to develop or improve activities designed to increase compliance with child access provisions of court orders.

Employment and training for non-custodial parents.—States may allow or require absent parents who owe but cannot pay court-ordered child support because of unemployment to participate in the new education and training program (JOBS).

Requirements for prompt response.—The Secretary of Health and Human Services must establish standards specifying time limits in which a State must respond to requests for services. He must consult with an advisory committee.

INTERNET system.—The bill gives the Secretary of HHS prompt access to wage and unemployment compensation information, maintained through an arrangement sometimes referred to as "INTERNET", for purposes of enforcing child support.

Notification of support collected.—Beginning four years after enactment, States must provide families receiving welfare with monthly notice of the amount of support collected on their behalf by the child support enforcement agency. Notice may be quarterly if it is determined that more frequent notice imposes an unreasonable administrative burden on the State.

$50 disregard.—The bill clarifies the provision in current law requiring that the first $50 in monthly support collected be passed on to the family by providing that payments due for a prior month must be disregarded if made by the absent parent in the month when due.

Education, Employment, and Training

New JOBS program.—S. 1511 replaces the Work Incentive (WIN) program with an entirely new Job Opportunities and Basic Skills Training Program (JOBS) to help welfare recipients attain the ability to enter or reenter gainful employment.

Program activities.—State JOBS programs may include a wide variety of work and training activities including education, on-the-

job training, skills training, work supplementation, community work experience, job search, and other activities related to education, training, and employment. States will be free to design the content of their JOBS programs except that all States will be required to include basic education and skills training among the program components offered.

Participation requirements.—Participation is generally mandatory for able-bodied, adult welfare recipients except those caring for young children under age 3. (States may lower the age of the child from 3 to as low as 1. Except for school attendance, mandatory participation is limited to part-time for parents caring for children under age 6.) School attendance is required for parents under age 22 who have not graduated from high school, regardless of the age of their children. Child care is guaranteed for those needing such care in order to participate in the JOBS program.

Program funding.—Education, employment, and training costs under the JOBS program are eligible for Federal funding as an entitlement. The Federal matching rate is generally 60 to 80 percent (depending on State per capita income) subject to an overall national limit of $500 million for fiscal year 1989, $650 million in 1990, $800 million in 1991, and $1 billion in 1992 and thereafter. The first $126 million of funding will be allocated among the States in the same way as the fiscal 1987 allocation of funding under the WIN program (and qualifies for the 90 percent WIN matching rate). Additional funds will be allocated among the States in proportion to their adult welfare population. Child care costs will be funded on an open-ended basis at a matching rate of 50 to 80 percent depending on State per capita income (the Medicaid matching rate). Indian tribes are authorized to claim funding from within each State's allocation.

Target populations.—States are required to devote at least half of the JOBS program funds to individuals who are, or are likely to be, long-term welfare recipients, as follows: (1) recipients who have received assistance for 30 of the preceding 60 months; (2) applicants who have received assistance for 30 of the 60 months preceding application; or (3) custodial parents under age 24 who have little or no work experience in the previous year or who have not completed high school. Within the target groups, volunteers will be given first consideration for participation.

Program administration.—At the Federal level, responsibility for administration of welfare programs (including cash assistance, child support, and JOBS) will be vested in a new Assistant Secretary of the Department of Health and Human Services. At the State level, responsibility for administratrion and coordination will lie with the State welfare agency. The Secretary of Health and Human Services is also directed by the legislation to provide for an evaluation of the effectiveness of the new JOBS program and to develop and recommend to the Congress a set of performance standards for that program. The Committee on Finance also expects to undertake careful and thorough oversight of the implementation of the new program.

Other.—The bill includes several other provisions detailing the operation of the new JOBS program including provisions assuring

fair hearings before the imposition of any sanctions and prohibiting the use of subsidized employment to displace regular employees.

Work Transition Provisions

In order to assist families in making the transition from welfare to work, the bill requires States to provide time-limited child care and Medicaid benefits as follows:

Child care.—States must provide child care determined by the State agency to be necessary for a parent's employment for a period of nine months in any case where the parent has lost assistance because of increased income from, or increased hours of, employment, or because of the loss of earnings disregards. Families must contribute to the cost, according to a State-established fee schedule. Federal matching funds are available to the States at the Medicaid matching rate (50–80 percent open-ended entitlement). Matching is available for costs up to amounts established by the State, but not in excess of local market rates.

Medicaid.—States must continue Medicaid benefits for a period of six months for all families that lose eligibility for cash assistance because of increased income from, or increased hours of, employment, or because of the loss of earnings disregards. They must offer these families the option of continuing their Medicaid coverage for an additional six months (total of 12 months). During the second 6-month period, States must charge a premium not to exceed 3 percent of income for those families with income above the poverty level. The Secretary of HHS must conduct a study of the effect of the Medicaid transition provisions.

Cash Benefits Provisions

Name of Program.—The bill renames the basic welfare program for families, the aid to families with dependent children program. Effective upon enactment, the program will be called the child support supplement program.

Benefits for families with unemployed parents.—All States will be required to have a program providing cash assistance to two-parent (intact) families in which the principal earner is unemployed. States will have the flexibility to design programs to meet individual State needs and to emphasize education, training and employment services for unemployed parents and spouses. Specifically, State programs may: (1) require participation in one or more education, employment, and training activities approved under the JOBS program (not to exceed a combined total of 40 hours a week); (2) provide for payment after performance; (3) provide for the participation of both spouses (subject to the requirements with respect to child care under the JOBS program); and (4) limit cash assistance to a period of no less than six months in any 12-month period. States will have the option of providing benefits for any period longer than six months.

A State that chooses to provide assistance for a limited period of time will be required to provide Medicaid for all children up to age 18 for as long as the family is otherwise eligible for assistance, and may provide Medicaid for the entire family. (Pregnant women are already covered.) In addition, the State must provide assurances to

the Secretary that if it elects to provide assistance for a limited period of time, it will have a program of active assistance to parents to help them prepare for and find employment.

The Secretary of HHS must provide for the evaluation of unemployed parent programs (both time-limited and other).

The Secretary is required to approve demonstration projects in up to 10 States using a definition of unemployment that is more liberal than the definition in present law (working fewer than 100 hours a month).

Minor parents.—Under the bill, a minor under age 18 who has never married and who has a child may receive assistance only if she resides with a parent, legal guardian, or other adult relative, or in a foster home, maternity home, or other adult-supervised supportive living arrangement. This requirement will not apply in certain specified situations.

Evaluation of need and payment standards.—Each State is required to reevaluate its need and payment standards at least every 5 years and to report the results to the Secretary.

Fraud prevention initiative.—The Secretary of Health and Human Services is directed to issue regulations requiring States to institute pre-eligibility screening procedures designed to provide early detection of fraudulent applications for assistance.

Puerto Rico, Virgin Islands, Guam, and American Samoa

The annual limits on Federal funds payable to Puerto Rico, the Virgin Islands and Guam for their public assistance programs are increased to the following amounts: Puerto Rico—$82,000,000; Virgin Islands—$2,800,000; and Guam—$3,800,000.

American Samoa will be eligible to receive $1 million a year for the costs of welfare assistance to families and for the foster care and adoption assistance programs. Federal matching will be 75 percent. The child support and JOBS programs will also be extended to American Samoa.

Demonstration Authority

General waiver authority.—The bill authorizes the Secretary of Health and Human Services to approve up to 50 demonstration projects under special new waiver authority. Under these demonstration projects benefit levels for families and individuals must be maintained at levels they would be in the absence of the demonstrations. The Secretary is authorized to waive requirements of the cash assistance, child support, JOBS, emergency assistance, and social services programs as necessary to operate these demonstration projects. (Waivers may not be made with respect to the child support program if the waivers would impair interstate child support enforcement or paternity determination actions, or if they would otherwise reduce child support collections.) Consideration will be given to waivers designed to address the needs of rural areas.

Other demonstration projects.—The bill also authorizes several specific demonstration projects relating to housing for families receiving emergency assistance; innovative education and training for children; expanding the availability of child care, particularly

in rural areas; employing welfare recipients as child care providers; funding non-profit organizations to work with private employers to create new jobs for welfare recipients; and reducing the rates of pregnancy, suicide, substance abuse, and school dropout among high-risk teenagers.

Revenue Provisions

Refund offset program.—Under the Refund Offset Program, the IRS collects delinquent debts owed to the government by withholding the debtor's tax refunds. The Omnibus Budget Reconciliation Act of 1987 extended the program's authority to June 30, 1988. The bill would make the program permanent. The bulk of the revenue raised by refund offsets comes from taxpayers who are delinquent in repaying student loans.

Child care credit.—Under current law, taxpayers may take a tax credit for certain child care expenses up to $2,400 per child, and up to $4,800 for more than one child. The credit is equal to 30 percent of these expenses at levels of adjusted gross income below $10,000. At the $10,000 income level, the credit percentage is phased down until it reaches 20 percent at income levels over $28,000.

Under current law, the credit remains at 20 percent for all income levels over $28,000. The bill would change this by phasing out the credit beginning at income levels over $70,000. The credit percentage would be gradually reduced until it is zero at income levels over $93,750.

Taxpayer identification numbers (TINs).—A taxpayer's TIN generally is that taxpayer's social security number. The Tax Reform Act of 1986 established the rule that a taxpayer claiming a dependent who is at least 5 years old must report the TIN of that dependent on that tax return. The purpose of the provision is to insure the validity of claims for dependents on tax returns, especially in the case of divorced parents. The bill would modify the rule to require that the TINs of dependents at least 2 years old be reported on the tax return.

II. GENERAL DISCUSSION OF THE BILL

Major Elements in the Bill

More than a year ago, the Nation's Governors issued a welfare reform policy statement recommending that we "turn what is now primarily a payments system with a minor work component into a system that is first and foremost a jobs system, backed up by an income assistance component."

This statement underscores a point on which most Americans agree—welfare reform legislation must bring about a fundamentally new direction for the Nation's welfare system.

We know from experience that this may be difficult to accomplish. In years past, the Congress has enacted other laws designed to achieve this same objective. The most notable example is the Work Incentive (WIN) program. When it was enacted 20 years ago, WIN offered generous open-ended entitlement funding for child care, and a wide array of education, employment, and training pro-

grams. The experts estimated that these programs would help large numbers of welfare recipients out of dependency.

Unfortunately, WIN never lived up to its promise. It was enacted at a time when the value of employment and training programs was seriously questioned. It had an administrative structure that was complex and lacked accountability. And neither the Administration, the Congress, nor the Governors and State legislators were fully supportive of it. Lacking broad support, it has been whittled away year by year, demoralizing recipients and administrators alike.

The lesson of WIN was costly, both in time and human resources, and we cannot afford another 20-year digression.

We need now to fashion a firm and effective welfare structure, one that addresses the needs of all regions of the country.

The bill reported by the Committee on Finance seeks to do this. It builds upon a strong consensus, joined in by liberals and conservatives alike, that the Nation's welfare system must stress family responsibility and community obligation, enforce the principle that child support must in the first instance come from parents, and reflect the need for benefit improvement, program innovation, and organizational renewal at every level in the system.

Child support enforcement.—One of the major elements in the Committee bill is a series of amendments to strengthen the child support enforcement program. The problem of nonsupport of children by their parents has become a serious one for this country. Nearly one-quarter of all children now live with only one parent. And although many noncustodial parents are diligent payers of child support, there are millions who are not. Census Bureau data tell us that of the 8.8 million mothers with children whose fathers were not living in the home in the spring of 1986, 3.4 million, or nearly 40 percent of these mothers, had never been awarded support for their children. Fewer than one in five of mothers who had never been married had been awarded support. Of those who had been awarded and were due support in 1986, only half received the full amount they were due. The bill addresses the problem of nonsupport by building on earlier proposals reported by this Committee in 1974 and 1984. It includes amendments aimed at establishing more equitable and adequate child support awards, including a mechanism to update awards on a regular basis. It also includes amendments to improve child support collections through immediate mandatory wage withholding. It enhances the capacity of the program to establish paternity by providing improved funding for laboratory testing, and by requiring States to meet minimum paternity establishment performance standards.

S. 1511 will result in improved service at all stages of the enforcement process. It requires the Secretary of Health and Human Services to set standards specifying time limits in which a State must respond to requests for services, including requests to locate absent parents, establish paternity, or initiate proceedings to establish and collect support. A new Commission on Interstate Enforcement will work toward improving procedures for enforcement in difficult interstate cases.

Education, employment, and training.—The second major element of the bill is a provision to build a vastly improved program

of education, employment, and training for welfare recipients. Enabling the parents of needy children to participate more fully in the economic life of the country is surely one of the most important aspects of welfare reform. And how the Congress goes about doing this will determine whether there is real reform, or just another program that later proves to be a disappointment.

Building a new program is a complex task. Fortunately, the Committee has been able to draw upon the experience of States in all regions of the country that have been in the forefront of the effort to help welfare recipients to become self-supporting and avoid long-term dependency.

The Committee has also benefited from valuable recent research findings that tell us that education, employment, and training programs are effective in raising earnings and employment levels for welfare recipients, and that they can also be cost effective from the standpoint of the government.

For most welfare recipients, welfare is a temporary aid, used for a relatively brief time during a period of family crisis or upheaval. But for too many—one family in four—welfare is far too permanent, lasting as long as 10 years or more.

These families are the particular focus of the Committee's bill. States will be required to target at least half of their expenditures on services for long-term, or potentially long-term, welfare recipients. We know that these recipients often have multiple handicaps, and that helping them to economic self-sufficiency will not be easy. But if this Nation is to have any prospect of resolving the problems of long-term and intergenerational dependency, a strong new effort must be undertaken. This bill is the first step in a process of reform that is aimed directly at finding solutions to these serious social problems.

In developing its new JOBS program, the Committee worked on the basis of several fundamental principles that it believes are crucial in order for a new program to be successful.

First, the system of financing must be stable and sustainable, and must take into consideration the fiscal capacity of both the Federal Government and the individual States.

Second, there must be an administrative structure that builds on existing resources, encourages State and local initiative, and that can be held accountable for success or failure.

Third, there must be an effective planning process that assures the best use of limited resources, and draws upon the private sector to ensure that individuals are trained for jobs that are available in the community.

Fourth, opportunities and obligations must go hand-in-hand. Programs must be perceived as fair both by recipients, and by the community at large.

Fifth, the program must be flexible. Although research has given us new insights into the value of employment and training programs for welfare recipients, there is much yet to be learned. States must be able to adapt to changing situations and take advantage of new experience and knowledge.

The Committee believes that the new Job Opportunities and Basic Skills Training (JOBS) program created by this bill is consistent with these principles. As described more fully below, the bill

provides Federal matching funds to the States through a capped entitlement mechanism that will assure each State a share of Federal dollars equal to $500 million in 1989, $650 million in 1990, $800 million in 1991, and $1 billion in 1992 and years thereafter.

Responsibility for administration of the new program will lie with the welfare agency at both the Federal and State levels. At the Federal level, there will be a new Assistant Secretary for Family Support in the Department of Health and Human Services who will have responsibility for administering the JOBS program, as well as the child support and child support supplement programs. The establishment of this new office of high responsibility emphasizes the importance that this Committee assigns to the mission of carrying out a real and lasting reform of the entire system.

At the State and local levels, welfare agencies will continue to be responsible for providing necessary cash assistance. But they will provide this assistance hand-in-hand with opportunities and obligations for education, employment, and training. The Committee recognizes that successful transformation of the present welfare system into a system that is first and foremost a jobs system, backed up by an income assistance component, as the Governors have proposed, will require creative leadershp on their part and on the part of welfare administrators. Testimony by both the Governors and welfare administrators has convinced the Committee that this leadership role will be fulfilled.

Although the Committee bill gives responsibility for providing JOBS services to welfare agencies, it also requires them to coordinate their efforts with other agencies at the State and local levels that provide education and training services. Close cooperation by all agencies that have experience and expertise in providing these services will be essential if the program is to succeed.

The bill authorizes funding for a wide variety of services, so that States can develop programs that fit the needs of their communities and the needs of individual recipients. All State programs must include basic education and skills training components, to assure that those welfare recipients who are without basic education and job skills will have an opportunity to compete for jobs in the labor market.

At the same time, States must require able-bodied adults to participate in the JOBS program and to accept employment. In the short term, involving large numbers of welfare recipients in education and employoment activities will require States to commit substantial new resources of their own. In return, those individuals who are physically and mentally able, and who do not have very small children, or whose child care needs are met, will be expected and required to undertake appropriate activities that will lead them and their families out of dependency. Thus, the Committee bill represents a fair approach. It promises new opportunities, but it also imposes obligations.

If all sides do their job we will be able to look forward to a time when being on welfare will not be regarded, either by the public or by any individual family, as a way of life, but as a way of moving on to a more productive and rewarding role in society.

Transitional assistance.—A major aim of the bill is to help families off the welfare rolls and into jobs. The Governors have request-

ed, and the Committee has agreed, that transitional child care and Medicaid services will be made available to families that lose welfare benefits because of earnings. The Committee believes that temporary assistance in meeting child care costs will be extremely helpful in enabling and encouraging mothers of young children to enter or reenter the labor force. At the same time, the Committee's provision requires States to establish fee schedules that will require families to contribute to the cost of care according to their income.

The Committee also recognizes that fear of the loss of medical care for their children is a clear disincentive for many mothers to seek and accept employment. The bill addresses this problem by requiring States to provide temporary Medicaid services for families that go off the welfare rolls because of earnings. Six months of benefits will be provided without any payment by the family. However, in the second six-month period of transitional Medicaid assistance, States will be required to charge a premium to those families with income above the poverty level.

Benefits for unemployed parents.—Under the Aid to Families with Dependent Children statute, enacted as part of the Social Security Act in 1935, State programs must provide assistance to children and their caretaker relatives who are in need because of the death, incapacity, or absence from the home of a parent. There is no Federal requirement for providing assistance to intact families in need because a parent is unemployed. For at least the last three decades, critics of the welfare system have challenged these rules, arguing that parents should not have to abandon their families in order to be eligible for welfare assistance. In 1961, the Congress amended the Federal statute to allow States, at their option, to provide cash benefits to intact families where the family is in need because the principal earner is unemployed (AFDC–UP). Twenty-seven States have exercised this option; twenty-three have not.

The issue of whether to require all States to extend welfare benefits to intact families in which the principal parent is unemployed has been at the heart of the welfare reform debate over the last two decades.

The Committee is persuaded that both equity and basic concern for the welfare of children require that this issue be resolved in the affirmative. Accordingly, S. 1511 requires all States to provide benefits to unemployed parent families. But the approach adopted by the Committee allows States to design a new and positive approach to helping these families. The Committee takes the view that States should be allowed to structure their unemployed parent programs so as to provide a temporary transition from welfare to employment. States will be allowed to pay benefits on a time-limited basis, to require active participation by both parents in education, employment, and training activities, and to pay the benefits after performance of any required activity.

States that choose to provide benefits on a time-limited basis (which can be no less than 6 months out of any 12-month period) must assure the Secretary that they have a program of active assistance to parents to help them prepare for and find employment. Thus, the Committee's bill emphasizes to both the State agency and the recipient that the goal is employment and self-sufficiency.

Program Innovation/Committee Oversight

The decade of the eighties has been a fruitful time for State innovation and rigorous evaluation, and this bill incorporates the many important insights that have been gained. But there is much yet to be learned. S. 1511 paves the way for future innovation by giving States broad authority and flexibility in designing their new education, employment, and training programs, and by authorizing the Secretary of Health and Human Services to waive provisions of certain Federal statutes to enable States and localities to structure demonstration programs aimed at specified goals.

The Committee is aware that there are conflicting views about this aspect of the bill. There are those who believe the bill allows States to exercise far too great discretion, just as there are those who argue the contrary view.

The Committee has sought to steer a constructive middle course. Recent experience has proved beyond any doubt that there is much to be gained by allowing and encouraging States to chart new territory. Legislation enacted in 1981 and 1982 gave States limited new opportunities for designing their own programs, which a significant number have used in highly successful ways. There is good reason to believe that Governors and State legislatures will continue their creative and pioneering work. This is both the hope and the expectation of the Committee.

At the same time, important entitlements are at stake. The families who are dependent upon welfare programs are among the most vulnerable in our society. Their well-being must be protected. The Committee's bill includes numerous specific protections that have been written with this purpose in mind.

Of equal significance to these written protections is the Committee's commitment to vigorous oversight of the implementation of the entire welfare reform process. The Committee does not intend to abandon the reform effort with the signing of the bill into law. No single piece of legislation can foresee all the questions and provide all the answers. Welfare reform will be an evolving process. The Committee on Finance is committed to playing a continuing role, joining in, and overseeing, the work of the many public and private organizations that will be involved.

Too often in the past we have seen good intentions turned to nought by failure to follow through. This cannot be allowed to happen to welfare reform. Successes must be built upon, and errors must be corrected. Close scrutiny by the Committee, through hearings and other oversight activities, can help this to come about.

The Committee's oversight will include urban and rural areas alike, and will extend to all regions of the country. There is great opportunity for change in the Nation's welfare system. But it will require determination and sustained effort to bring it about. The Committee on Finance is committed to do its share.

Budget Neutrality

At the beginning of this Congress, the Committee recognized that there was a unique opportunity for accomplishing the goal of welfare reform which had proven elusive for so many years. Detailed studies of innovative experiments carried out by many States had

become available. While far from providing all the answers to the difficult problems of welfare reform, these experiments did produce a rich body of new information. Several major, but diverse, study groups had recently issued reports setting forth proposals for welfare reform—and there proved to be much commonality among these reports. Hearings held by the Committee and by its Subcommittee on Social Security and Family Policy showed broad support for welfare reform and considerable consensus as to the major elements of what such reform should include. The Administration also indicated strong support for the concept of enacting legislation to reform the welfare system.

The Committee recognized, however, that a major new social initiative would be difficult to reconcile with the need to avoid worsening the budgetary situation of the Nation. Over the past several years, the Committee has been called upon time after time to produce legislation lowering the budget deficit, and it has done so. Nonetheless, the Government is still running annual deficits exceeding $100 billion.

The Committee accepted this challenge to produce legislation which represents a significant new initiative in social welfare policy in a manner which does not worsen the budget deficit. This bill fully meets that challenge. It is budget neutral (in fact it produces a modest reduction in the deficit.) It achieves this goal both in the first fiscal year (1989) and in the last fiscal year (1993) of the estimating period. It achieves it over the 3 fiscal years covered by the budget resolution (fiscal 1989–1991) and it achieves it over the 5 years covered by the CBO estimate (1989–1993). It achieves it, as described below, without placing unreasonable burdens on State governments.

The Committee bill does provide for some significant new expenditures of Federal funds. For example, it establishes a commitment to entitlement funding ultimately reaching $1 billion per year for helping States with employment and training programs for welfare recipients. But it also includes provisions that save money. For example, some of those employment and training costs will be offset by savings as families leave the welfare rolls for employment. The bill also saves money by strengthening child support enforcement and by helping Federal agencies collect past due debts by offsetting tax refunds. Finally, the bill phases out the dependent care credit for higher income taxpayers and strengthens the policing of tax returns by expanding the requirement that dependents' tax identification numbers be provided.

In net then, this bill is good social policy and good budgetary policy.

Impact of Welfare Reform on the States

In developing this welfare reform legislation, the Committee has been keenly aware of the important part that the States have and must continue to play in our national welfare system. In creating a program of public assistance for families with children in 1935, Congress saw the Federal role as one of providing guidance and fiscal assistance but left the States the primary responsibility for developing State plans for assistance, setting eligibility standards,

and administering the program. The Committee bill continues this long-standing approach of a Federally supported and guided, but State-administered and partially State-financed program.

The Committee acknowledges that the States have played an important role in testing various approaches to welfare reform and, in doing so, have developed much of the information on the basis of which the current legislation has been shaped. Moreover, the States have given strong impetus to welfare reform by expressing a willingness to undertake the commitment which it involves.

The Committee in turn has been very sensitive to this major State role as it developed this legislation. Clearly a major stumbling block to the ability of States to plan and implement a major new initiative is uncertainty as to the level of Federal resources that will be available from year to year. To address this problem, the Committee bill sets up the funding for the new JOBS program as an entitlement. The Committee also recognizes that States have varying capacities to provide the necessary non-Federal share of funding for the program. The bill addresses this concern by providing for funding which varies in relation to State per-capita income and by giving States the flexibility to implement this program in a manner consistent with available State resources. A major concern of many States, on both fiscal and policy grounds, has been the impact of requiring that eligibility be expanded to intact families who are needy because of unemployment. While the Committee concluded that the time has come to require all State assistance programs to meet the needs of such families, the Committee has adopted an approach which gives States the flexibility to provide that assistance in a manner designed to assure that it serves as transitional aid between periods of employment.

The Committee would like to call particular attention to the analysis by the Congressional Budget Office (printed in Part V of this report) of the fiscal impact of this bill on State governments. Despite the fact that the bill presumes and to some extent requires major new commitments on the part of the States to the task of helping families towards self-sufficiency, it does not place an onerous burden on State treasuries. The CBO analysis indicates that for over 5 years the aggregate State cost will be only $99 million—an average of $20 million per year. Moreover, the bill is designed in such a way that States have ample time to prepare for the new commitment required since the bill actually saves modest amounts for the States in the next two fiscal years. The cost impact occurs in fiscal years 1991 and 1992, and then in 1993 the States again show a net savings of $69 million.

Statement of Purpose

(Sec. 2)

S. 1511, the Family Security Act of 1988, is a bill to restructure and reform the Nation's welfare system for families with children. The purpose of the legislation is set forth in the bill as follows:

> It is the purpose of this Act to replace the original aid to families with dependent children program with new provisions for child support that (1) stress family responsibility

and community obligation in the context of the vastly changed family arrangements of the intervening half century; (2) enforce the principle that child support must in the first instance come from parents, and only thereafter from the community, which however has the deepest obligation to enable parents to fulfill their responsibilities through expanded opportunities in education and training; and (3) reflect the need for benefit improvement, program innovation, and organizational renewal at every level in the Federal system.

AFDC Replaced by the Child Support Supplement Program

(Sec. 3)

Present law.—The Nation's basic welfare program for families with children, authorized under title IV of the Social Security Act, is called aid to families with dependent children (AFDC).

Committee bill.—The AFDC program is renamed the child support supplement (CSS) program.

Effective date.—Upon enactment.

Reorganization and Redesignation of Title IV

(Sec. 4)

Committee bill.—Title IV of the Social Security Act is reorganized and redesignated to conform with the purpose of the Family Security Act to emphasize child support enforcement and job training as the primary means of avoiding long-term welfare dependence. A more detailed description of the reorganization appears below under title XI.

Effective date.—Upon enactment.

TITLE I—CHILD SUPPORT AND ESTABLISHMENT OF PATERNITY

Subtitle A—Child Support

IMMEDIATE INCOME WITHHOLDING

(Sec. 101)

Present law.—The Child Support Enforcement Amendments of 1984 (P.L. 98–378) required States to adopt procedures providing for mandatory wage withholding for families receiving services under the child support enforcement program (title IV–D of the Social Security Act) if support payments are delinquent in an amount equal to one month's support. States must also allow absent parents to request withholding at an earlier date. Withholding must be carried out in full compliance with all procedural due process requirements of the State.

Committee bill.—The Committee bill establishes new and more stringent provisions for wage withholding for families receiving services under the child support enforcement program. The bill requires States to have procedures providing for immediate mandatory wage withholding (without waiting for an arrearage) with re-

spect to orders that are issued or modified on or after the first day of the 25th month beginning after the date of enactment unless: (1) the State finds good cause, or (2) both parents agree to an alternative arrangement.

In the case of orders that are being enforced by the IV-D agency that are not subject to withholding under the above requirement, the bill requires that, beginning two years after enactment, wages of an absent parent must be subject to withholding, regardless of whether there is an arrearage, upon request of the custodial parent if the State determines (under its own procedures and standards) that it is appropriate to grant the request.

Also beginning two years after enactment, state procedures must allow State child support agencies to request immediate withholding for orders that they are enforcing on behalf of families receiving welfare, regardless of whether the parents have agreed to an alternative arrangement.

Present law requirements for mandatory wage withholding in the case of payments that are delinquent in an amount equal to one month's support will apply to orders that are not subject to immediate wage withholding. In addition, States must continue to allow absent parents to request withholding before an arrearage develops, as under present law.

Finally, the Committee bill provides for a study of the administrative feasibility, cost implications, and other effects of requiring States to adopt immediate wage withholding for all child support orders in a State, not just those that are being enforced by the State's federally-financed child support enforcement agency. The Secretary of Health and Human Services must conduct the study and report his findings to the Congress no later than three years after the date of enactment.

The Committee anticipates that the adoption by States of procedures for immediate wage withholding for cases that are being enforced by the child support enforcement agency will increase significantly the effectiveness of the child support enforcement program. According to State child support administrators, virtually all orders that are being enforced by State child support enforcement agencies involve arrearages of at least 30 days, and thus are already subject to mandatory wage withholding after one month's arrearage. However, State agencies have found that it is often a time-consuming and costly process to document the arrearage. Procedures for immediate wage withholding will eliminate the need to document an arrearage and will expedite the enforcement of child support orders.

In addition, by making the immediate wage withholding provision applicable to IV-D orders that are issued or modified in the future, the bill reduces the likelihood that delinquencies will develop.

The Committee is aware of the positive experience that has been reported with respect to the immediate wage withholding laws of Texas and Wisconsin. Both Texas and Wisconsin have recently enacted legislation calling for immediate wage withholding for all new child support orders that are issued in the State (with specified exceptions). Wisconsin also applies immediate wage withholding to old orders that are brought up for modification. The Commit-

tee recognizes the advantages that accrue when a State has procedures that are the same for all child support orders in the State, both those that are being enforced by the State child support agency and those that are being enforced under other court and administrative procedures. It encourages States to consider these advantages when they adopt the new immediate wage withholding procedures that are required under the bill.

Effective date.—The first day of the twenty-fifth month to begin two years after the date of enactment.

DISREGARD APPLICABLE TO TIMELY CHILD SUPPORT PAYMENTS

(Sec. 102)

Present law.—The first $50 of amounts collected periodically which represent monthly support payments on behalf of a family receiving cash assistance must be paid to the family without affecting eligibility for or the amount of benefits payable to the family during the month.

Committee bill.—The Committee bill clarifies that the first $50 received in a month which was due for a prior month must be disregarded if the payment was made by the absent parent in the month when due. This clarification will assure that if a noncustodial parent makes a timely payment of child support, the first $50 will be passed on to the family, regardless of whether there is a delay in the processing of the payment by the agency. The Committee believes that this is essentially a clarifying amendment that reflects the original intent; however, the Committee is aware that differences of interpretation may exist. The Committee does not intend that an inference should be drawn from the enactment of this provision or its effective date as to the meaning of the law as previously in effect.

Effective date.—The first month of the first quarter beginning after the date of enactment.

STATE GUIDELINES FOR CHILD SUPPORT AWARD AMOUNTS

(Sec. 103)

Present law.—A provision enacted as part of the Child Support Enforcement Amendments of 1984 requires States to establish guidelines for setting child support award amounts in the State. The guidelines need not be binding on judges and others who determine award amounts.

Committee bill.—The bill provides that guidelines developed by States must be applied by judges and other officials in determining the amount of any child support award unless the judge or official, pursuant to criteria established by the State, makes a finding that there is good cause for not applying the guidelines. The bill also requires States to review their guidelines at least once every five years to ensure that their application results in the determination of appropriate child support award amounts.

Each State must also develop a program for periodic review, and adjustment as appropriate (in accordance with State guidelines) of child support awards that are being enforced by the IV-D agency, including families that are receiving child support supplements, as

well as families not receiving such supplements but who have applied for child support enforcement services.

With respect to review of awards for families receiving child support supplements, the bill requires States to submit a plan indicating how and when periodic review and adjustment will be performed. This plan must be submitted no later than one year after enactment.

Beginning five years after enactment, States must review (and adjust as appropriate) CSS awards every two years, unless, under regulations of the Secretary, it is determined that it would not be in the best interests of the child to do so. A review must be made every two years regardless of the State's determination relating to the best interests of the child if either parent requests review.

With respect to other (non-CSS) families, beginning one year after enactment, States must initiate proceedings at least once every two years to review and adjust the child support award at the request of either parent if it is determined, under State criteria, that the award should be reviewed and adjusted.

Beginning five years after enactment, States must provide review every two years if either parent requests it (with adjustment as appropriate). Parents must be notified of their right to biennial review.

States must have procedures to ensure that in each applicable case, each parent is notified at least 30 days prior to the commencement of a review, and that each parent is also notified of a proposed adjustment in the child support award amount, and is given at least 30 days after the notification to initiate proceedings to challenge the adjustment.

The Committee notes that Federal matching is already available to State child support enforcement agencies for the purpose of conducting reviews of child support awards. The Committee's provision establishes a new minimum level of review that a State must have. The Committee intends that Federal matching will continue to be available for reviews of awards when there is a change in the circumstances that determine the amount of the support obligation.

The Committee bill requires States to begin to develop and implement review procedures within one year after enactment, as described above. However, the States will have five years to move toward implementation of the more rigorous biennial review requirements. This delay in the effective date of these requirements is in response to concerns expressed by both State child support administrators and the courts. The Committee was told that States currently have neither the resources nor the expertise to implement biennial review of all child support orders, and that the imposition of such a requirement in the near term would seriously damage the capacity of the child support system to enforce support orders.

The approach adopted by the Committee requires States to begin developing review procedures for all IV-D cases, but gives them time to improve their capacity before the rigorous biennial review requirement must be met. In order to assist the States and to ensure effective implementation of the review requirement, the bill authorizes demonstration projects to test and evaluate model procedures for reviewing awards. Not later than April 1, 1989, the Secre-

tary of HHS must enter into an agreement with each of four States that submit applications for the purpose of conducting such demonstrations. Demonstrations may be conducted in one or more political subdivisions of a State. Federal matching for each demonstration will be 90 percent of the reasonable costs incurred by the State. Each State's demonstration must begin not later than September 30, 1989, and must be conducted for a two-year period unless the Secretary determines that the State is not conducting a project in substantial compliance with the terms of the Federal-State agreement. The Secretary must report the results of the demonstration projects to the Congress not later than six months after the completion of all projects.

Effective date.—One year after the date of enactment, except that the demonstration project authority is effective upon enactment.

NOTIFICATION OF SUPPORT COLLECTED

(Sec. 104)

Present law.—The Child Support Enforcement Amendments of 1984 included a provision requiring States to inform AFDC families once each year of the amount of support collected on their behalf by the child support enforcement agency.

Committee bill.—States are required to inform families receiving welfare of the amount of support collected on their behalf on a monthly basis, rather than annually. States may provide quarterly (rather than monthly) notice if and for so long as the Secretary determines that compliance with the monthly notification requirement would impose an unreasonable administrative burden on the State. Notice may be provided either by the welfare agency or by the child support agency. This provision is consistent with the general objective of the bill to assist parents in becoming self-supporting. If a parent who is receiving welfare knows that child support payments are being made on a regular basis, that parent will be greatly aided in making a decision to prepare for and accept employment.

Effective date.—The first day of the first calendar quarter beginning four years after enactment.

SUBTITLE B—ESTABLISHMENT OF PATERNITY

PERFORMANCE STANDARDS FOR ESTABLISHING PATERNITY

(Sec. 111)

Present law.—The Secretary must establish such standards for State programs for locating absent parents, establishing paternity, and obtaining child support as he determines necessary to assure that the programs will be effective. States that do not meet Federal performance standards are subject to fiscal penalty. If the Secretary finds that a State is not in substantial compliance with Federal requirements, the amount of the State's AFDC matching is reduced: (1) not less than one nor more than two percent in the case of the first such finding, (2) not less than two nor more than three percent in the case of the second consecutive such finding, or (3)

not less than three nor more than five percent in the case of a third or subsequent consecutive such finding. These reductions must be suspended if the State submits and implements an approved corrective action plan containing the steps necessary to achieve substantial compliance within a time period which the Secretary finds to be appropriate.

Committee bill.—The bill establishes specific new standards for measuring State performance with respect to the establishment of paternity for children who are receiving IV-D child support services. The new standards are based on a "paternity establishment percentage" which measures the extent to which paternity has been established for children born out of wedlock who receive services from the child support enforcement program. To meet the new standards, a State's paternity establishment percentage must: (1) equal or exceed 50 percent, (2) equal or exceed the average for all States, or (3) have increased by three percentage points from fiscal years 1988 to 1991, and by three percentage points each year thereafter.

A State's paternity establishment percentage is: the number of children in the State who are born out of wedlock, are receiving cash benefits or IV-D child support services, and for whom paternity has been established, divided by the number of children who are born out of wedlock and are receiving cash benefits or IV-D child support services. A child who is receiving benefits by reason of the death of a parent, or a child with respect to whom a mother is found to have good cause for refusing to cooperate in establishing or collecting support, is excluded from this equation.

The Secretary may modify the above requirements so as to take into account additional variables (including the percentage of out-of-wedlock births in a State). In addition, the bill makes clear that the performance standards specified in this provision are in addition to and do not supplant other requirements established in regulations by the Secretary that do not involve the measurement of State paternity establishment percentages.

The Secretary is directed to collect the data necessary to implement the requirement, and may, in carrying out the requirement of determining a State's paternity establishment percentage for the base year (fiscal year 1988), compute the percentage on the basis of data collected with respect to the last quarter of fiscal year 1988.

Effective date.—Upon enactment. No State may be found out of compliance under this provision for any period prior to fiscal year 1992.

INCREASED FEDERAL ASSISTANCE FOR PATERNITY ESTABLISHMENT

(Sec. 112)

Present law.—The Federal matching rate for child support administrative costs, including paternity establishment, is 70 percent in fiscal year 1987, 68 percent in fiscal years 1988 and 1989, and 66 percent for fiscal year 1990 and years thereafter.

Committee bill.—States will be eligible to receive 90 percent Federal matching for the costs of laboratory testing to establish paternity. In recent years, scientific tests, including blood tests and genetic typing, have developed to the point of providing extemely ac-

curate evidence of paternity. The purpose of this provision is to encourage States to continue and expand their use of this important tool for establishing paternity.

Effective date.—Effective with respect to laboratory costs incurred on or after October 1, 1988.

Subtitle C—Improved Procedures for Child Support Enforcement and Establishment of Paternity

Requirement of Prompt State Response to Requests for Child Support Assistance

(Sec. 121)

Present law.—The Secretary is required to establish such standards for State programs for locating absent parents, establishing paternity, and obtaining child support as he determines to be necessary to assure that such programs will be effective.

Committee bill.—The performance standards that the Secretary is required to establish for State programs must include standards establishing time limits governing periods in which a State must accept and respond to requests (from individuals, States, or jurisdictions) for assistance in establishing and enforcing support orders, including requests to locate absent parents, establish paternity, and initiate proceedings to establish and collect support.

Under the Committee's provision, the Secretary must establish an advisory committee within 30 days after enactment. The committee must include representatives of organizations representing State governors, State welfare administrators, and State directors of title IV-D child support enforcement programs. The Secretary must consult with the advisory committee before issuing any regulations with respect to the required standards. A notice of proposed rulemaking must be published no later than 180 days after enactment. After allowing not less than 60 days for public comment, the Secretary must issue final regulations not later than the first day of the tenth month beginning after the date of enactment.

Automated Tracking and Monitoring Systems Made Mandatory

(Sec. 122)

Present law.—Ninety percent Federal matching is available on an open-ended entitlement basis to States that elect to establish a statewide automated data processing and information retrieval system. Funds may be used to plan, design, develop and install, or enhance the system, and may be used to pay for the acquisition of computer hardware. The Secretary must approve the system as meeting specified conditions before matching is available. Currently, 33 States are involved in some phase of development of qualifying systems. Other States may receive the regular matching rate (68 percent in fiscal year 1988) for automated systems that are not statewide or do not otherwise meet the Federal requirement for 90 percent matching.

Committee bill.—Each State must have an approved statewide system that meets Federal requirements for 90 percent matching by not later than a date specified in the State's advance planning

document (which must be within 10 years after the date the document is submitted to the Secretary). The advance planning document must be submitted to the Secretary by October 1, 1990. The Secretary may waive the above requirements if a State demonstrates that it has an alternative system or systems that enable the State to be in substantial compliance with Federal child support requirements.

Effective date.—Upon enactment.

ADDITIONAL INFORMATION SOURCE OF PARENT LOCATOR SERVICE

(Sec. 123)

Present law.—The statute requires the Secretary of HHS to establish and operate a Federal Parent Locator Service (PLS) to be used to find absent parents in order to enforce child support obligations. Upon request, the Secretary must provide to an authorized person the most recent address and place of employment of any absent parent if the information is contained in the records of the Department of Health and Human Services, or can be obtained from any other department or agency of the United States or of any State.

Committee bill.—The Committee bill requires the Secretary of Labor and the Secretary of HHS to enter into an agreement which would give the Federal Parent Locator Service prompt access to wage and unemployment claims information which may be useful in locating an absent parent or his employer. States would be required, as a condition of receiving grants for the administration of unemployment compensation, to cooperate in making this information available. The State unemployment compensation records provide an important source of timely information as to the whereabouts and employment of absent parents. States routinely exchange information with each other for unemployment purposes through an arrangement sometimes referred to as "INTERNET." The Committee bill gives the Federal PLS access to this information either through the INTERNET arrangement or through other procedures that may be agreed on between the Secretary of Labor and the Secretary of HHS. These agreements will also address the issue of appropriate reimbursement to the State unemployment programs for any costs involved in obtaining this information.

Effective date.—The Secretaries of Labor and HHS are to enter into an agreement no later than 90 days after enactment.

USE OF SOCIAL SECURITY NUMBER TO ESTABLISH IDENTITY OF PARENTS

(Sec. 124)

Present law.—There is no requirement that parents furnish their social security numbers upon the birth of a child.

Committee bill.—In the administration of any law involving the issuance of a birth certificate, a State must require each parent to furnish his or her social security number, unless the State (in accordance with regulations by the Secretary of HHS) finds good cause for not requiring the furnishing of the number. The State must make the numbers available to child support enforcement

agencies in accordance with Federal or State law. Numbers need not be recorded on the birth certificate.

The social security number is a major tool in tracing absent parents and enforcing the collection of child support. This provision will establish as a norm the furnishing of the parents' social security numbers at the time of birth. While States will be required to make these numbers available for child support enforcement purposes, they will not otherwise be required by this legislation to provide public access to the numbers. Existing State and Federal laws relating to the protection of privacy will not be superseded except to the extent that they are directly inconsistent with this provision.

Effective date.—The first day of the twenty-fifth month beginning after the date of enactment.

COMMISSION ON INTERSTATE CHILD SUPPORT

(Sec. 125)

Committee bill.—The bill establishes a Commission on Interstate Child Support which is required to hold one or more national conferences on interstate child support reform and, not later than October 1, 1990, to submit a report to the Congress with recommendations for improving the interstate child support system, and revising the Uniform Reciprocal Enforcement of Support Act.

The Commission will be composed of 15 members: four appointed jointly by the Majority and Minority Leaders of the Senate in consultation with the chairman and ranking minority member of the Committee on Finance; four appointed jointly by the Speaker of the House and the Minority Leader of the House in consultation with the chairman and ranking minority member of the Committee on Ways and Means; and seven appointed by the Secretary of HHS. The bill authorizes $2 million to cover the costs of the Commission.

The Committee continues to be concerned that the incentives and procedures for interstate support enforcement appear inadequate to assure an effective program. The Committee recognizes that some progress in this area is now being made. However, the Committee believes that a commission could synthesize current knowledge and provide necessary guidance for carrying forward with this high priority task. The bill specifically charges the commission with recommending revisions with respect to the Uniform Reciprocal Enforcement of Support Act. This significant model law was last revised prior to the 1975 enactment of the child support enforcement program. While alternative tools now exist, it remains an important element in interstate enforcement activities. The Committee believes it could be a much more effective tool if it were brought up to date in the light of the 1975, 1984, and 1988 child support amendments. Although the commission will not supplant the regular body charged with URESA revision, it will be expected to facilitate and promote the work of that body in revising that statute.

TITLE II—JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAM

ESTABLISHMENT OF PROGRAM

(Sec. 201–Sec. 204)

A. REQUIREMENT FOR STATE PARTICIPATION

Present law.—Amendments to the Social Security Act in 1968 required all States to have a Work Incentive (WIN) program to provide employment and training services to AFDC applicants and recipients. Amendments in 1981 gave States the option of operating a WIN demonstration program as an alternative to the regular WIN program, and also authorized States to establish community work experience (CWEP) and work supplementation programs. Amendments in 1982 allowed States to establish job search programs independent of the WIN program.

Current WIN legislation requires the Secretary of Labor to establish programs in each State and in each political subdivision of a State in which he determines there is a significant number of AFDC recipients age 16 or above. WIN demonstration, CWEP, and work supplementation programs do not have to be statewide. However, regulations require States that operate a job search program to do so on a statewide basis.

Committee bill.—The Committee bill repeals the WIN (and WIN demonstration) program, and replaces it with a new Job Opportunities and Basic Skills Training (JOBS) program designed to help applicants and recipients of cash assistance avoid long-term welfare dependence through education, employment, and training services. (The work supplementation, community work experience, and job search programs are incorporated into the JOBS program.) Each State is required to establish a program under a plan that has been approved by the Secretary. Not later than three years after enactment, the State must make the program available in each political subdivision of the State, unless the State demonstrates to the satisfaction of the Secretary that it is not feasible to do so because of the needs and circumstances of local economies, the number of prospective participants, and other relevant factors.

It is the expectation of the Committee that States will make a serious and determined effort to implement their programs throughout all their local jurisdictions to the maximum extent possible, so that all eligible families will have an opportunity to benefit from the new services that are authorized under this legislation. This does not mean, however, that programs must be operated uniformly in all parts of a State. Governors have expressed the need to be able to design their programs to take account of local conditions. The Committee recognizes the desirability of having programs that respond to varying circumstances, such as changes in the unemployment rate, and that reflect different needs, such as may exist in rural and urban areas. The Committee intends that States will have the flexibility to design their programs to accommodate such differences.

B. PROGRAM ACTIVITIES

Present law.—Under both the WIN and WIN demonstration programs States may offer a variety of education, employment, and training activities. In addition, States may have community work experience (CWEP), work supplementation (sometimes called grant diversion), and job search programs.

Committee bill.—Under JOBS, States are authorized to provide a broad range of services and activities, which must include basic education and skills training, and may include: (1) high school or equivalent education (combined with training when appropriate); (2) remedial education to achieve a basic literacy level; (3) English as a second language; (4) post-secondary education (as appropriate); (5) on-the-job training; (6) work supplementation programs; (7) community work experience programs; (8) group and individual job search; (9) job readiness; (10) job development, job placement, and follow-up services, as needed, to assist participants in securing and retaining employment and advancement; and (11) other employment, education, and training activities as determined by the State and allowed under regulations by the Secretary.

The Committee bill authorizes a wide variety of activities to enable States to design programs that best suit their respective needs and the needs of their recipients. The Committee notes that there are as yet no research findings showing that there is any single program model that merits national replication. However, the bill takes account of the fact that at least half of all AFDC recipients lack a high school education, and therefore need basic education or skills training in order to compete for a job in the regular labor market, by requiring States to include these services among the components that they provide.

C. REQUIREMENT FOR PARTICIPATION

Present law.—Under the WIN and WIN demonstration programs States must require non-exempt applicants and recipients of assistance to register for services and to participate in activities to which they are assigned. The statute specifies the situations under which an individual may be considered to be exempt from this requirement. Generally, able-bodied adults and older children not in school may be required to participate. A parent or other relative of a child under age 6 who is personally providing care for the child with only very brief and infrequent absences is exempt from the requirement.

Committee bill.—To the extent that the JOBS program is available in a political subdivision and State resources otherwise permit, a State must require every recipient of child support supplements who is not exempt, and with respect to whom the State guarantees necessary child care, to participate in the program. The rules for exempting individuals from participation in the JOBS program are substantially the same as in present law, except that the bill exempts applicants (who have not yet been found eligible for benefits) from being required to participate in most program components (other than job search), and it changes the rules relating to the participation of mothers with young children.

Specifically, the bill provides that to be exempt from participation an individual must be: (1) ill, incapacitated, or of advanced age; (2) needed in the home because of the illness of another member of the household; (3) the parent or other relative of a child under age 3 (or, at the option of the State, any age that is less than 3 but not less than 1), who is personally providing care for the child with only very brief and infrequent absences; (4) employed 30 or more hours a week; (5) a child under age 16 or attending, full-time, an elementary, secondary, or vocational school; (6) a woman in the last trimester of pregnancy; or (7) a resident of an area where the program is not available. The exemption under item (3) is limited to one parent in a family eligible by reason of the unemployment of the principal earner. A State may make the exemption inapplicable to both parents and require both to participate if child care is guaranteed.

Participation may be required no more than 24 hours a week if the individual is (1) the parent caring for a child under age 6, and (2) not the principal earner in a two-parent family eligible on the basis of unemployment. However, States may encourage these individuals to participate more than 24 hours a week.

In addition, the bill provides that (to the extent that the JOBS program is available in a political subdivision and State resources otherwise permit) States must require a custodial parent under age 22 who has not completed high school (or its equivalent) to participate in high school or equivalent education, or, where appropriate in remedial education or English as a second language. This requirement applies regardless of the age of the child. States may require attendance in education activities on a full time basis even though this exceeds 24 hours per week. The bill allows States to require these young parents to participate in training or work activities (in lieu of education activities) if they fail to make good progress in completing educational activities or if it is determined, pursuant to an educational assessment, that participation in education activities is inappropriate. Participation in these latter activities may be required no more than 24 hours a week.

If an individual is already attending a school or a course of vocational or technical training designed to lead to employment at the time the individual would otherwise be required to begin participation in the JOBS program, such attendance may, at the option of the State, constitute satisfactory participation in JOBS so long as the individual continues to participate in good standing. The costs of such programs are not Federally reimbursable. However, Federal reimbursement is available for the cost of such child care as the State determines to be necessary to enable the individual to attend such school or course of training.

A State must allow applicants and recipients who are exempt from mandatory participation to participate on a voluntary basis. Parents in a family which would otherwise be eligible for cash assistance on the basis of the unemployment of a principal earner but for the fact that the State has chosen to provide such cash assistance on a time-limited basis (as provided in section 402 of the bill) must also be allowed to volunteer for JOBS services.

In addition, a State may require applicants for cash assistance to participate in job search activities.

Finally, in order to further enhance the capacity of States to collect child support and to promote the economic well-being of children, the bill provides that States may require or allow absent parents who are unemployed and unable to meet their child support obligations to participate in the JOBS program. The Committee is aware that at least two States have expressed interest in implementing a program of employment services for absent parents who are not able to meet their child support obligations as a way of encouraging and requiring them to do so. The Committee urges the Secretary, as well as the individual States that choose to implement this provision, to provide for evaluation in order to determine its effectiveness, and to inform the Committee of any evaluation results.

D. PRIORITY/TARGET POPULATION

Present law.—Under the WIN program, priority must be accorded to individuals in the following order, taking into account employability potential: (1) unemployed parents who are principal earners; (2) mothers, whether or not required to register, who volunteer for participation; (3) other mothers, and pregnant women, registered for WIN, who are under age 19; (4) dependent children and relatives age 16 and above who are not in school or engaged in work or training; and (5) all other individuals.

Committee bill.—The bill encourages States to serve individuals who are or who are likely to become long-term recipients by providing for a reduction in Federal matching for the JOBS program if a State fails to spend at least 50 percent of Federal and State funds on specific target groups. (The State would be entitled to 50 percent Federal matching rather than the higher rates that would otherwise be applicable. See item F. Financing.)

The target groups are defined as follows: (1) recipients who have received assistance for any 30 of the preceding 60 months; (2) applicants who have received assistance for any 30 of the 60 months immediately preceding application; and (3) custodial parents under age 24 who have little or no work experience in the previous year, or who have not completed high school and are not enrolled in high school or an equivalent course.

The Committee is aware that these target groups may need to be modified to take account of experience of the States and to reflect future research findings. Accordingly, the bill requires the Secretary to recommend to Congress every two years modifications or additions to the above target groups as may be appropriate to meet the goal of assisting long-term or potentially long-term recipients to achieve self-sufficiency, and to take account of the particular characteristics of the recipient populations of individual States.

Finally, the bill provides that within the target groups, States must give first consideration for participation in JOBS activities to individuals who volunteer for such activities.

E. PROGRAM ADMINISTRATION

Present law.—Under the WIN legislation the Department of Labor and the Department of Health and Human Services share joint responsibility for the administration of that program. Togeth-

er, representatives of these two Departments make up the WIN National Coordination Committee which is vested with responsibility for national administration. At the State level, the responsibility for administration of WIN is shared by the State employment security agency and the welfare agency. The employment security agency is responsible for the provision of employment services, and the welfare agency is responsible for the provision of necessary supportive services. At the local level, units providing supportive services and units providing employment services are required to be co-located to the maximum extent feasible. WIN agencies may make grants to, or enter into agreements with, public or private organizations to carry out program functions.

The Secretary of Labor is directed to use all authority available under all Acts to provide services for WIN participants, and to assure, when appropriate, that WIN registrants are referred for services under the Job Training Partnership Act (JTPA). The Governor must coordinate WIN activities with activities provided under JTPA.

Legislation in 1981 and 1982 authorized the WIN demonstration, community work experience, work supplementation, and job search programs and designated the Department of Health and Human Services as the agency responsible for administration of these programs at the Federal level. Responsibility for administration at the State level was given to State welfare agencies. The welfare agencies generally may make arrangements with other agencies to provide services.

Committee bill.—The WIN program has been criticized since its inception for the cumbersome and diffuse nature of its administrative structure. Responding to this criticism, the Congress enacted legislation in 1981 allowing States to operate a WIN demonstration program as an alternative to WIN "for the purpose of demonstrating single agency administration of the work-related objectives" of the AFDC program. The legislation designated the welfare agency as the agency responsible for administration of the WIN demonstration program. At the same time, the Congress authorized States to establish work supplementation and community work experience programs, giving administrative responsibility for these programs to the State welfare agency. A year later, in 1982, the Congress authorized States to operate job search programs, also under the administrative responsibility of the State welfare agency.

The new legislation gave State welfare agencies the flexibility to reorient their programs, and to begin to emphasize services aimed at helping recipients move into productive employment. Evaluations of a significant number of these programs have shown that they have been successful in increasing the earnings and employment levels of recipients, and that they can be cost effective from the standpoint of the Federal and State governments.

In their February 24, 1987 policy statement on welfare reform, the Nation's Governors stated:

> The Governors' aim in proposing a welfare reform plan is to turn what is now primarily a payments system with a minor work component into a system that is first and fore-

most a jobs system, backed up by an income assistance component.

The Committee's bill creates the administrative underpinning for the policy aim of the Governors by placing primary responsibility for the new JOBS program with the State welfare agency. Although welfare agencies will retain responsibility for the essential task of providing cash assistance to those who are in need, they will be expected to place new emphasis on the goal of helping recipients become self-sufficient. To reinforce the importance of this expanded responsibility, the bill gives the State welfare agency explicit responsibility for assuring that JOBS and child support enforcement services and cash assistance are provided in a coordinated and integrated manner.

Under the Committee's bill, State welfare agencies must assure, to the maximum extent possible, and consistent with other provisions in title IV of the Social Security Act, that all parents who apply for or receive cash assistance are encouraged, assisted, and required to fulfill their responsibilities to support their children by preparing for, seeking, accepting, and retaining employment which they are able to perform, and by cooperating in the enforcement of child support obligations.

Welfare agencies are also directed to inform each applicant and recipient of (1) the education, employment, and training services (including supportive services) for which they are eligible; (2) the paternity establishment and child support services for which they are eligible; and (3) the requirements that must be met in order to be eligible for such services.

The bill requires each State to submit a plan setting forth and describing the State's JOBS program. The State must periodically review and update its plan and submit the updated plan to the Secretary for his approval.

Although the Committee's bill gives the welfare agency the responsibility for administering and supervising the administration of the JOBS program, the Committee does not intend that the welfare agency itself will actually provide all services. On the contrary, the Committee is aware of the broad array of services that are or could be made available to welfare recipients under existing Federal and State and local programs. In order to make maximum use of such programs, the bill requires the Governor of each State to assure that program activities authorized under this bill are coordinated with programs operated under the Job Training Partnership Act and with any other relevant employment, training, and education programs available in the State.

In addition, the welfare agencies are directed to consult with education agencies and the agencies responsible for administering job training programs in order to promote the planning and delivery of services under the program with programs under the Job Training Partnership Act and with education programs, including any program under the Adult Education Act or Carl D. Perkins Vocational Education Act.

The bill includes specific authority allowing welfare agencies to enter into contracts or other arrangements with public and private

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agencies and organizations for the provision or conduct of any services or activities made available under the program.

At the Federal level, the Secretary of Health and Human Services is directed to assure maximum coordination of education and training in the development and implementation of the JOBS program, by consulting on a continuing basis with the Secretary of Education and the Secretary of Labor.

These provisions emphasize the Committee's intent that the JOBS program should be administered in such a way that all appropriate expertise and resources are made available in order to provide the wide variety of education, employment, training, and supportive services that are needed to assist individual welfare recipients in achieving self-sufficiency.

The bill requires that each State's program must include private sector involvement in planning and program design to assure that participants are prepared for jobs that will actually be available in the community. In particular, the Committee is aware of the very positive benefits that a number of States have experienced as a result of actively involving Private Industry Councils (PICs, authorized under the Job Training Partnership Act) in planning and developing education and training programs for welfare recipients at both the State and local levels. The Committee urges Governors to ensure that the resources and expertise of the Private Industry Councils in their States and communities are used to the maximum extent possible during the JOBS planning process and in arranging for the delivery of services.

F. FINANCING

Present law.—Rules for funding the employment-related activities that are provided for applicants and recipients of AFDC vary from program to program. Both the WIN and WIN demonstration programs are subject to annual appropriation. (Funding for WIN supportive services is written in the statute as an open-ended entitlement, but has never been treated as such by the appropriations committees or the administration.) Ninety percent Federal matching is available for all allowable State expenditures, including both services and administration. The State share may be in cash or kind.

Funding for the WIN (and WIN demonstration) program has been erratic over the years, and in recent years has been cut back severely. Since 1981, WIN appropriations have been as follows: fiscal year 1981: $365 million, 1982: $281 million, 1983: $271 million, 1984: $267 million, 1985: $264 million, 1986: $211 million, 1987: $137 million, and 1988: $93 million.

Fifty percent of WIN funds are allocated to the States on the basis of the number of WIN registrants, and 50 percent on the basis of performance criteria established by the Secretary (these emphasize job placement). The statute authorizing WIN demonstration programs requires that a WIN demonstration State's allocation must be in an amount equal to its initial 1981 WIN allocation. As WIN appropriations have been reduced, the Administration has reduced State allocations accordingly, distributing funds on the basis of the State's share of the 1981 appropriation.

Fifty percent Federal matching is available on an open-ended entitlement basis under the CWEP and job search programs. Funds may be used to pay the costs of all allowable program activities. According to the Administration, Federal matching for these programs was about $50 million in fiscal year 1987.

Committee bill.—The Committee bill provides Federal funding for the new JOBS program in the form of a capped entitlement limited to $500 million in 1989, $650 million in 1990, $800 million in 1991, and $1 billion in 1992 and years thereafter. Federal matching is 90 percent with respect to amounts allocated to the State that do not exceed the 1987 WIN allocation; for additional amounts, the Federal match is at the Medicaid matching rate, with a minimum Federal matching rate of 60 percent, including matching for the cost of staff who work full time on JOBS activities. Other administrative costs (including evaluation) are matched at a 50 percent rate. State matching for amounts above the 1987 WIN allocation must be in cash. (If a State does not spend at least half its JOBS funding on the target groups described above, the JOBS matching rate is reduced to 50 percent for all activities.)

Each State will receive an amount equal to its WIN allotment for fiscal year 1987 ($126 million for all States). Additional funds up to the cap will be allocated on the basis of the State's relative number of adult recipients of cash assistance.

By providing funding for the new program in the form of a capped entitlement, the bill assures the States of a stable and sustainable level of funding. The WIN program has suffered in the past because of uncertain and erratic appropriations, and the Committee believes that it is important that any new program not suffer the same deficiency. A capped entitlement represents a clear commitment on the part of the Federal government to follow through with funding for the new employment program, and gives the States assurance that if they commit significant resources of their own, their programs will not be undercut by a decrease in Federal appropriations.

The initial level of funding for the program—$500 million in the first year—is relatively modest in real terms compared with the WIN funding level of $365 million annually in the late 1970's and early 1980's. However, it represents a major increase over the current level of Federal funding for employment-related programs for welfare recipients, and the amount is increased annually so that by 1992 it reaches $1 billion, the amount cited by the Governors as needed to fund State education and training programs for welfare recipients.

The Committee believes that by providing a capped entitlement with a specific allocation of Federal dollars for each State, State legislatures will be encouraged to draw down their State's share. The result should be a more uniform program nationwide, with education and training services being made available to welfare recipients in all regions of the country. The likelihood of this occurring is enhanced by the provision in the bill that gives a more favorable matching rate to States with low per capita income.

A capped entitlement also avoids the prospect of runaway costs to the Federal government. The Committee is aware of concerns that open-ended entitlement funding could result in costs that far

exceed the levels that are currently estimated. The experience of the title XX social services program has been cited as an example. The provisions of law which were ultimately consolidated in title XX originally authorized Federal funding on an open-ended entitlement basis. However, in the early 1970's a number of States began aggressively to draw down Federal matching funds at an unanticipated rate, with projections of Federal spending showing a more than six-fold growth from 1971 to 1973. Faced with this projection, the Congress enacted a limitation on Federal funding, making title XX into a capped entitlement program.

The bill provides that Federal funds made available to a State for the JOBS program shall not be used to supplant non-Federal funds for existing services and activities. The bill also includes a maintenance of effort provision, specifying that State and local funds expended for such purposes as are authorized under the bill must be maintained at least at the level of such expenditures for fiscal year 1987.

Finally, the Committee notes that a number of States are currently operating education, employment, and training programs under waiver by the Secretary of Health and Human Services. The Committee does not intend that the enactment of this Act will have the effect of impairing the ability of States that continue to operate programs under waiver authority to claim Federal financial participation for the costs of their approved programs under this new legislation.

G. ASSESSMENT/EMPLOYABILITY PLAN

Present law.—WIN program regulations require an appraisal interview to determine employability potential and the need for supportive services. When necessary supportive services have been provided, an individual may be certified as ready for participation in WIN. Other programs authorized under present law have no similar requirements.

WIN rules also require States to develop an employability plan for each individual that contains a manpower services plan and a supportive services plan, and is designed to lead to employment and ultimately to self-support. It must contain a definite employment goal, attainable in the shortest time period consistent with the supportive services needs, project resources, and job market opportunities. Final approval of the employability plan rests with the WIN agency. Other programs authorized under present law have no similar requirement.

Committee bill.—The State welfare agency is required to provide (1) an initial assessment of the education and employment skills of each participant, and (2) a review of each participant's family circumstances. The Committee notes that assessment of learning disabilities may be part of a State's assessment procedures.

In addition, the bill allows, but does not require, the State agency to develop an employability plan for each participant. The bill provides that, to the maximum extent possible, the plan should reflect the preferences of the participant.

In making an assessment and developing an employability plan for a participant who is age 22 or over and has not graduated from

high school, the agency is directed to place emphasis on meeting the educational needs of the participant. However, discretion is left to the agency to determine the JOBS assignment, based on available resources, the participant's individual circumstances, and local employment opportunities.

H. CLIENT/AGENCY CONTRACT

Present law.—There is no provision in present law relating to the use of client-agency contracts. However, under the WIN demonstration program, States have broad discretion to design their own programs, and at least one State (California) has adopted use of client-agency contracts on a Statewide basis.

Committee bill.—The State agency may require each participant to negotiate and enter into a contract with the agency that specifies such matters as the participant's obligations, the duration of participation in the program, and the activities that will be conducted and the services that will be provided. Individuals must be assisted in reviewing and understanding the contract.

I. CASE MANAGEMENT SERVICES

Present law.—There is currently no specific authority relating to the provision of case management under any of the authorized employment and training programs. However, WIN administrative units may not certify an individual for participation in WIN until necessary supportive services, including child care, family planning, counseling, medical, and other services have been provided.

Committee bill.—The State agency may require the assignment of a case manager to each participant and the participant's family. The case manager must be responsible for assisting the family to obtain any services that may be needed to assure effective participation in the program.

J. PROGRAM SANCTIONS

(1) General Description

Present law.—Under the WIN program, sanctions must be applied to an individual who is required to participate if the individual (1) refuses without good cause to participate in activities to which he is assigned, or (2) refuses without good cause to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is offered by an employer if the offer is determined to be a bona fide offer of employment.

If a parent or other relative of a child refuses to participate, the relative's needs may not be taken into account in determining the family's benefits, and aid must be paid to a third party in the form of protective payments unless the agency, after making reasonable efforts, is unable to arrange such payments. If the principal earner in a two-parent family eligible on the basis of unemployment refuses, aid is denied to the entire family. If an only child who is required to participate refuses to do so, aid is denied to the child and the parent. If there is more than one child, the needs of the child who refuses are not taken into account.

The sanctions that are applicable with respect to participation in WIN are also generally applicable to participation in other employment-related programs authorized under title IV-A of the Social Security Act.

Committee bill.—Sanctions for failure to participate in the new JOBS program are generally the same as under current law. Specifically, the bill provides that sanctions must be applied to an individual who is not exempt from participation if the individual (1) fails without good cause to participate in the JOBS program, or (2) refuses without good cause to accept any bona fide offer of employment in which the individual is able to engage which is offered through the public employment offices of the State, or is offered by an employer if the offer of the employer is determined to be a bona fide offer of employment. The bill specifies that lack of necessary child care constitutes good cause for refusal to participate in JOBS or to accept employment. The bill includes the same provisions that are in present law (as described above) with respect to the nature of the sanctions.

(2) Length of Sanction

Present law.—Under the WIN, WIN demonstration, and CWEP programs, regulations prescribe the time periods during which sanctions must be applied. Regulations provide: (1) in the case of the first failure to comply, the sanction period is three months; and (2) in the case of second and subsequent failures, the sanction period is six months. WIN rules also provide that if a volunteer refuses to participate without good cause, the individual is deregistered from WIN for three or six months, depending on whether it is the first or a subsequent refusal.

Committee bill.—Sanction periods for failure to comply with the JOBS participation and employment requirements (described above) are as follows: (1) in the case of the first failure to comply, until the failure to comply ceases; (2) in the case of the second failure to comply, until the failure to comply ceases or three months, whichever is longer; and (3) in the case of any subsequent failure to comply, until the failure to comply ceases or six months, whichever is longer.

K. CONCILIATION/FAIR HEARING

Present law.—WIN regulations provide for a WIN adjudication system that requires efforts toward conciliatory resolution of disputes before notifying an individual of any disciplinary action, and for a hearing on WIN issues. With respect to other employment-related programs authorized under title IV-A of the Social Security Act, States have discretion over whether to establish a conciliation procedure to resolve disputes.

Under a Supreme Court decision (*Goldberg* v. *Kelly*—1970) and AFDC regulations all States must provide opportunity for a State agency hearing, or an evidentiary hearing at the local level with a right of appeal to a State hearing in all cases of intended action to discontinue, terminate, suspend, or reduce assistance. Agencies must provide timely and adequate notice, and assistance must not

be reduced or terminated if the recipient requests a hearing within 10 days of mailing of the notice.

Committee bill.—The bill requires States to establish conciliation procedures for the resolution of disputes related to an individual's participation in the JOBS program, and to have a hearing procedure to resolve any disputes not resolved during the conciliation process. A State may have a hearing process especially designed for the purpose of hearing all or some disputes related to the JOBS program, or it may use the regular AFDC hearing process.

In any event, specific language is included to make clear that assistance may not be suspended, reduced, discontinued, or terminated until an individual is provided an opportunity for a fair hearing that meets the due process standards set forth by the U.S. Supreme Court in *Goldberg v. Kelly*—1970.

L. CHILD CARE

Present law.—Under the WIN program State agencies must provide child care necessary to enable individuals to accept employment or receive training. When more than one kind of child care is available, the mother may choose the type, but she may not refuse to accept child care services if they are available. The agencies may provide care through arrangements with others or otherwise.

Federal funding for WIN program child care is included in the general WIN appropriation. Matching is at the regular 90 percent WIN rate, with no Federal limit on the amount that may be paid for child care provided by a State with respect to an eligible child.

Regulations require that child care provided by WIN must meet applicable standards of State and local law (as in title XX of the Social Security Act).

Federal funding for child care provided under the community work experience, work supplementation, and job search programs is on an open-ended entitlement basis, with 50 percent Federal matching available to the States for allowable expenditures.

Committee bill.—A State agency must guarantee child care for each child requiring care to the extent that such care is determined by the State agency to be necessary for an individual's participation in work, education, and training activities under the program. (Child care is defined to include day care for an incapacitated individual.) States may provide care directly; arrange for the provision of care by contracts or vouchers; provide cash or vouchers to the family in advance; reimburse the caretaker relative in the family; or, use any other arrangements the State may select.

Federal matching for child care is provided on an openended entitlement basis at the Medicaid matching rate (varying from 50 percent to 80 percent, depending on State per capita income). Federal funding is available for expenditures for child care up to amounts established by the State but not in excess of local market rates. (The child care disregard is unchanged.) Federal funds may not be used for construction or rehabilitation of facilities.

As under present law, child care must meet applicable standards of State and local law.

The value of child care authorized under this provision may not be treated as income for purposes of any other Federal or federally-

supported program that bases eligibility for or the amount of benefits upon need, and may not be claimed as an employment-related expense for purposes of the dependent care credit under section 21 of the Internal Revenue Code of 1986.

M. TRANSPORTATION/WORK-RELATED EXPENSES

Present law—Under the WIN program State agencies are authorized to provide for necessary transportation and other services related to participation. Individuals assigned to activities must receive allowances to cover necessary expenses if services are not provided by the agency. Funding for transportation and other work-related expenses is provided as part of the regular WIN appropriation. Federal matching is 90 percent.

Federal funding is also available on an open-ended entitlement basis for costs of transportation necessary for participation under the CWEP, work supplementation, and job search programs. Federal matching is 50 percent.

Committee bill.—State agencies must provide payment or reimbursement for transportation and other work-related supportive services determined by the State to be necessary for an individual's participation in the JOBS program. Federal funding is available at a 50 percent matching rate, subject to the JOBS entitlement cap.

N. COMMUNITY WORK EXPERIENCE PROGRAM (CWEP)

Present law.—Legislation enacted in 1981 allows States to operate community work experience (CWEP) programs in which nonexempt recipients may be required to participate. The statute states that the purpose of community work experience programs is to provide experience and training for individuals not otherwise able to obtain employment, in order to assist them in moving into regular employment. Programs must be designed to improve the employability of participants through actual work experience and training and to enable individuals employed under community work experience programs to move promptly into regular public or private employment.

Programs are limited to projects which serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care. To the extent possible, the prior training, experience, and skills of a recipient must be utilized in making appropriate work experience assignments.

The maximum number of hours in any month that members of a family may be required to work is the number which equals the amount of aid payable with respect to the family divided by the greater of the Federal or the applicable State minimum wage.

The Governor of the State is required to provide coordination between a community work experience program and other programs authorized under the Social Security Act to insure that job placement will have priority over participation in the community work experience program.

Committee bill.—States are allowed to operate community work experience programs as part of their JOBS programs. Generally,

the requirements of present law that govern the operation of CWEP programs are retained. However, the Committee bill modifies the provision limiting the number of hours that participants may be required to participate in CWEP by specifying that the portion of a recipient's benefit for which a State is reimbursed by a child support payment may not be taken into account in determining the number of hours that an individual may be required to work.

O. JOB SEARCH

Present law.—Legislation enacted in 1982 allows States to operate job search programs in which individuals claiming aid (both applicants and recipients) who are not exempt from work requirements may be required to participate. By regulation, activities may include group jobseeking, job development, exposure to labor market information, work orientation, and referral. No individual may be required to participate more than eight weeks in any 12-month period (except in the first year participation may total 16 weeks).

Committee bill.—Under the JOBS program, States will have the same general authority to operate job search programs as exists in present law. However, the Committee bill specifies that no individual may be required to participate in job search longer than three weeks before having an employability assessment by the State.

P. PROGRAM STANDARDS

Present law.—The statute specifies that State community work experience programs must provide: (1) appropriate standards for health, safety, and other conditions applicable to the performance of work; (2) that the program does not result in displacement of persons currently employed, or the filling of established unfilled position vacancies; (3) reasonable conditions of work, taking into account the geographic region, the residence of the participants, and the proficiency of the participants; and (4) that participants will not be required, without their consent, to travel an unreasonable distance from their homes or remain away from their homes overnight. In addition, State agencies operating CWEP programs may provide appropriate workers' compensation or other comparable protection for CWEP participants.

Committee bill.—In assigning participants to any JOBS program activity (including education, training, and work activities) the State agency must assure that (1) the assignment takes into account the physical capacity, skills, experience, health and safety, family responsibilities, and place of residence of the participant; and (2) the participant will not be required, without his or her consent, to travel an unreasonable distance from home or remain away from home overnight.

In addition, the bill provides that wage rates for jobs to which participants are assigned shall be not less than the greater of the Federal minimum wage or applicable State minimum wage. Appropriate workers' compensation and tort claims protection must be provided to all participants on the same basis as such compensation and protection are provided to individuals in similar employ-

ment in the State, as determined under regulations issued by the Secretary.

The bill also includes language to prevent the displacement of regular employees by individuals who are participating in work assignments, including CWEP or work supplementation programs. In assigning participants to these activities the State agency must assure that the work assignment does not result in the displacement of any currently employed worker or position (including partial displacement such as reduction in hours of nonovertime work, wages, or employment benefits), or the filling of established unfilled position vacancies. The bill also specifies that no work assignment may result in any infringement of the promotional opportunities of any currently employed individual, or the impairment of existing contracts for services or collective bargaining agreements. Finally, no participant may be assigned to fill a job opening when any individual is on layoff from the same or any substantially equivalent job; and no participant may be assigned to fill a job opening when the employer has terminated the employment of any regular employee or has otherwise reduced its work force (this would not apply when there is good cause, such as termination due to disciplinary reasons).

States must establish a grievance procedure to resolve complaints by regular employees or their representatives that the provisions relating to displacement of regular employees have been violated. A decision made at the State level may be appealed to the Secretary of Labor for investigation and such action as he may find necessary. The Secretary of HHS and the Secretary of Labor must jointly issue regulations setting forth the procedures that must be followed in carrying out the grievance procedure requirements.

Q. WAGES

Present law.—The WIN statute has no provision specifying whether a participant must accept a job at any particular wage rate. However, regulations provide that when an income disregard is available, the wage must meet or exceed the Federal or State minimum wage law. When, as a result of becoming employed, no disregard is available, the wage, less mandatory payroll deductions and a reasonable allowance for necessary employment-related expenses, must provide an income equal to or exceeding the family's AFDC cash benefits. There is no similar requirement under the WIN demonstration or job search programs.

Committee bill.—A State agency may not require a participant in the program to accept a job under the program if the family of the recipient would experience a net loss of income (including the value of any food stamp benefits and the insurance value of any health benefits). The bill also provides, however, that a State may require a participant to accept a job if the State makes a supplementary payment in an amount that is sufficient to maintain the income of the family at a level no less than what would be the level of income in the absence of earnings from the job.

R. OPERATION OF JOBS PROGRAMS BY INDIAN TRIBES

Present law.—The Secretary of Labor is authorized under the WIN statute to make grants to, or enter into agreements with, Indian tribes with respect to Indians on a reservation. This authority has not been exercised.

Committee bill.—The bill allows Indian tribes to apply directly to the Secretary of Health and Human Services to establish and administer their own JOBS programs. An application to conduct a program must be submitted within six months after the date of enactment, and must be approved by the Secretary. In the case of a State that includes one or more Indian tribes that apply to conduct their own programs, the funding available to that State will be reduced under a formula that takes into account the ratio of the number of adults who are receiving child support supplements and are members of the Indian tribe (or tribes) in the State to the number of all adults in the State who are receiving child support supplements. These funds will be paid directly (without any requirement for matching funds) to the Indian tribe for the operation of its JOBS program. It is the view of the Committee that the existence of services and funds available under this Act should not be used by the Bureau of Indian Affairs as grounds for justifying automatic reductions in programs under the authority of the Bureau.

The work, training, and education program conducted by an Indian tribe need not meet any requirement imposed by the JOBS statute that the Secretary determines to be inappropriate, but the program must be consistent (as determined by the Secretary) with the purposes of the JOBS program.

For purposes of this provision, an Indian tribe is any tribe, band, nation, or other organized group or community of Indians, including any Alaska Native village (as defined in, or established pursuant to, the Alaska Native Claims Settlement Act) that is recognized by the Federal government as eligible for services from the Bureau of Indian Affairs and is located on a reservation (as defined in section 3(d) of the Indian Financing Act of 1974).

The bill directs the Secretary of HHS, in cooperation with the Secretary of Interior, to conduct a comprehensive study to evaluate: (1) how effectively non-Indian specific job, training, and education programs for low income individuals respond to the needs of Indians on reservations; (2) how effectively Indian-specific job, training, and education programs for low income Indians (including this program) respond to the needs of Indians on reservations; (3) the extent of unmet need on reservations for these types of programs; (4) how such programs for Indians could be better coordinated; (5) how such programs could be improved or restructured so that they can better meet the needs of Indians on reservations; (6) what sustainable job markets exist in Indian communities, by tribe and region and (7) the availability of support services, including transportation and child care, that are necessary to assist Indians in participating in job training programs and in obtaining permanent employment. This study must be submitted by October 1, 1989, or one year after the date of enactment, whichever is later.

S. PERFORMANCE STANDARDS

Present law.—No provision.

Committee bill.—The Secretary of HHS must submit recommendations for performance standards to the Congress within five years after enactment. Recommendations must be developed in consultation with representatives of organizations representing Governors, State and local program administrators, educators, and other interested persons. Recommendations must include standards with respect to specific measurements of outcomes such as participation rates, income gains, placement rates, and other factors.

T. IMPLEMENTATION AND EFFECTIVENESS STUDIES

Committee bill.—The Secretary is required to conduct an implementation study based on a representative sample of States and localities, and must document with respect to JOBS programs (1) the types, mix, and costs of services offered, (2) participation rates or activity levels, (3) the characteristics of the individuals in the different type of activities, (4) the provisions made for child and day care and the extent to which limitations exist with respect to the availability of such care, (5) the institutional arrangements and operating procedures under which activities are offered in the different locations, and (6) such other factors as the Secretary deems appropriate. The bill authorizes an appropriation of $500,000 for each of fiscal years 1989, 1990, and 1991 for the purpose of conducting this study.

In addition, the Secretary is directed to conduct a study to determine the relative effectiveness of the different approaches used by States under the JOBS program for assisting long-term recipients. The study must be based on data gathered from demonstration projects conducted in five States chosen by the Secretary from among applications submitted by interested States. Such projects must be conducted for a period of not less than three years upon such terms and conditions as the Secretary may provide.

Demonstration projects must use specific outcome measures to test the effectiveness of particular programs. Such measures must include educational status, employment status, earnings, receipt of child support supplements, receipt of other transfer payments, and, to the extent possible, the poverty status of participating families. The projects must involve use of experimental and control groups composed of a random sample of participants in the JOBS program. The Secretary must assure that the experimental design is comparable among localities.

Participating States must provide the Secretary (in such form and with such frequency as he requires) interim data from the effectiveness demonstration projects. The Secretary must report to the Congress annually on the progress of the projects, and not later than one year after the date of final data collection, must submit the effectiveness study to the Congress.

The bill authorizes an appropriation of $10 million for each of fiscal years 1989 through 1993 for the purpose of making payments to States conducting demonstration projects.

U. ISSUANCE OF REGULATIONS/EFFECTIVE DATE

(Sec. 205)

Committee bill.—Not later than six months after the date of enactment, the Secretary of Health and Human Services must issue proposed regulations for the purpose of implementing the JOBS program, including regulations establishing uniform data collection requirements. The Secretary must publish final regulations not later than one year after the date of enactment.

The amendments with respect to the JOBS program become effective on October 1, 1990. However, fiscal years 1989 and 1990 will be transition years. All States may continue to operate programs under current law authority (WIN, WIN demonstration, job search, CWEP, and work supplementation). (The WIN demonstration authority, which expires June 30, 1988, is extended through fiscal year 1990.) However, States will have the option of implementing a new JOBS program as of the first day of any calendar quarter beginning on or after the date on which the proposed regulations are published (or, if earlier, the date on which such regulations are required to be published). The JOBS funding limitation for a State that operates a program for less than a full fiscal year will be adjusted to reflect the portion of the year during which the JOBS program will be in effect in that State.

TITLE III—TRANSITIONAL ASSISTANCE FOR FAMILIES

A. Extended Eligibility for Child Care

(Sec. 301)

Present law.—Under WIN regulations, necessary supportive services, including child care, must continue for a period of 30 days after a WIN participant starts unsubsidized employment, and may continue for a maximum of 90 days at the discretion of the WIN supportive services unit. Under the WIN demonstration program, States have discretion as to whether such transitional services are provided. There is no provision for transitional child care services under the community work experience, work supplementation, and job search programs.

A number of States provide child care to AFDC recipients who leave the rolls because of employment through their title XX social services programs. Under these programs, States establish their own fee schedules. Child care provided with title XX funds must meet applicable standards of State and local law.

Committee bill.—Each State must guarantee child care for each child requiring care, to the extent that the care is determined by the State agency to be necessary for an individual's employment, in any case where a family has ceased to receive child support supplements under this part as a result of increased hours of, or increased income from, employment, or as a result of losing earnings disregards.

The bill gives States flexibility in deciding how care will be provided with respect to any particular situation. A State may provide care directly; arrange for the provision of care by contractors or

vouchers; provide cash or vouchers to the family in advance; reimburse the family; or use any other arrangements the State may select. This will enable a State to adapt its program of assistance to take account of the kinds of assistance that may exist in various areas and communities.

Transitional care is limited as follows: (1) the family must have received assistance in at least three of the six months immediately preceding the month of ineligibility; (2) care is limited to a period of nine months after the last month for which the family actually received assistance, and a total of nine months out of any 36 month period; and (3) the family must include a child who is (or, if needy, would be) a dependent child.

A family may not be eligible for care for any month after which the caretaker relative has (1) submitted false or misleading information in order to obtain assistance; (2) been subject to a sanction in the preceding 12 months for failure to meet JOBS employment and training participation requirements; (3) without good cause, terminated employment, refused to accept employment, or reduced the hours of employment; or (4) failed to cooperate with the State in establishing and enforcing child support obligations.

A family must contribute to the cost of care in accordance with a sliding scale based on ability to pay, established by the State and approved by the Secretary.

Federal funding is available for costs incurred by the State at the Medicaid matching rate (50–80 percent) on an open-ended entitlement basis. Matching is available for costs up to amounts established by the State, but not in excess of local market rates.

Child care must meet applicable standards of State and local law.

Effective date.—October 1, 1989.

B. Extended Eligibility for Medical Assistance

(Sec. 302)

Present law.—There are two rules for continuing Medicaid coverage to families that lose such coverage as the result of earnings from employment:

(1) States must continue Medicaid benefits for nine months for families that lose AFDC eligibility due solely to the fact that they are no longer eligible for certain earned income disregards. (AFDC recipients are entitled to the disregard of $30 plus one-third of additional earnings in determining AFDC benefit amounts. However, the one-third disregard may be applied for only four consecutive months of earnings. Thereafter, the $30 disregard may be applied for a limit of eight additional months.) States may at their option provide Medicaid for an additional six months to families that would have remained eligible for AFDC if these disregards were applied.

(2) States must provide for a continuation of Medicaid benefits for a period of four months in the case of a family that loses benefits as a result of increased hours of, or increased income from, employment, if the family has received benefits in at least three of the six months immediately preceding the month in which the family becomes ineligible. This provision applies to a family that loses

benefits because of earnings that are at a level that would make the family ineligible even if the $30 plus one-third disregard were used in determining its eligibility for an AFDC benefit. It would also apply to a family receiving AFDC on the basis of the unemployment of the principal earner if the family becomes ineligible because the principal earner works more than 100 hours a month.

Committee bill.—The provisions in present law relating to transitional Medicaid benefits for families that leave the welfare rolls because of employment are expanded and simplified as follows:

1. MANDATORY EXTENSION PERIOD

Each State's Medicaid plan must provide that each family that received assistance under the State's child support supplement program in at least three of the six months immediately preceding the month of ineligibility because of increased hours of, or increased income from employment of the caretaker relative, or because of the loss of earnings disregards, shall, without reapplication for benefits, remain eligible for Medicaid during the immediately succeeding six-month period.

The State must notify the family of its right to extended Medicaid when it notifies the family of the termination of cash assistance. The notice must include a description of the circumstances under which the Medicaid extension may be terminated. A card or other evidence of the family's entitlement to assistance must be included.

A family shall be denied Medicaid during the six-month period for any month in which the family does not include a child who is (or would if needy be) a dependent child. However, the State may not discontinue assistance with respect to a child or an SSI recipient until the State has determined that the individual is not eligible under the State's plan for services to persons who are not categorically eligible.

Medicaid shall be denied beginning after a month during which the caretaker relative has (1) submitted false or misleading information in order to obtain child support supplements; (2) been subject to sanction in the preceding 12 months for failure to meet the JOBS employment and training participation requirements; (3) without good cause, terminated employment, refused to accept employment, or reduced the hours of employment; or (4) failed to cooperate with the state in establishing and enforcing child support obligations.

Prior to denial, the State must provide the individual with notice of the grounds for the denial. In the case of denial on the basis of (2) above, the notice must include a description of how the family may reestablish eligibility. The amount, duration, and scope of services made available with respect to a family must be the same as if the family were still receiving cash assistance.

At its option, a State may pay a family's expenses for premiums, deductibles, coinsurance, or similar costs for health insurance provided by an employer to a caretaker relative (and also for insurance provided by an employer to an absent parent who is paying child support for a dependent child if that insurance provides more cost-effective coverage). As a condition of extended coverage, the

State may require the caretaker relative to apply for such employer coverage, if the State provides for payment of the premium, deductible, coinsurance, or similar expense that the caretaker relative is otherwise required to pay. Under this option, the family would remain eligible under the regular Medicaid program, but such employer-provided coverage must be treated as a third-party liability (which requires the State to seek reimbursement for assistance provided to the extent of the liability).

2. ADDITIONAL EXTENSION PERIOD—RECIPIENT OPTION

A State must offer each family that has received Medicaid during the entire six-month period (described in (1)) and has met earnings reporting requirements the option of extending assistance for the succeeding six-month period.

The bill requires the filing of reports of income in order to qualify for benefits in both the first and second six-month periods.

Each State must require every family that receives transitional medical assistance to report the family's gross monthly earnings (and monthly costs of child care incurred by reason of the employment of the caretaker relative), on such date or dates as the State may choose, after the second month of receipt of such assistance.

During the second and fourth month of any extended assistance, the State must notify the family of the family's option for assistance in the subsequent six-month period. The notice must include a statement of monthly reporting requirements, a statement as to premiums required for such extended assistance, and a description of other out-of-pocket expenses, benefits, reporting and payment procedures, and any pre-existing condition limitations, waiting periods, or other coverage limitations imposed under any alternative coverage options offered by the State (described below).

A family shall be denied assistance under the same conditions as apply during the initial six-month period. In addition, assistance shall be denied beginning after a month with respect to which the family (1) fails to pay any required monthly premium, or (2) fails to meet the reporting requirement, unless the family establishes good cause for such failures. A family shall be ineligible for assistance if the family's average gross monthly earnings (less the costs of child care necessary for the employment of the caretaker relative) during the preceding month exceeds 185 percent of the OMB poverty line.

If a family fails to meet the reporting requirements, the State may provide for suspension of assistance, rather than termination, in order to allow the family additional time to meet the reporting requirement. The requirement for notice of denial described above is also applicable to assistance offered during the period of optional eligibility.

During the optional extended period, the State must generally offer assistance that is the same amount, duration, and scope as would be available to the family if it were still receiving cash assistance. However, at State option, a State may elect not to provide any or all of the following items and services: skilled nursing facility services; certain care provided by licensed practitioners; home health care services; private duty nursing services; physical ther-

apy; certain diagnostic, screening, preventive and rehabilitative services; inpatient hospital services, skilled nursing facility services, and intermediate care facility services for individuals age 65 or over in an institution for mental diseases; intermediate care facility services (other than such services in an institution for mental diseases); inpatient psychiatric hospital services for individuals under age 21; hospice care; and respiratory care services.

The State may offer alternative coverage in lieu of the regular Medicaid program under one or another of the following: enrollment in a family option of the group health plan offered the caretaker relative; enrollment in a family option within the options of the group health plan or plans offered by a State to State employees; enrollment in a basic State health plan offered by the State to individuals otherwise unable to obtain health insurance coverage; enrollment in a health maintenance organization less than 50 percent of the membership of which consists of individuals who are eligible for Medicaid, excluding those who are eligible under this option. If the State offers to enroll a family under one of the above options, the State must pay any premiums, deductibles, coinsurance, and other costs imposed on the family. At State option, employer-provided coverage may be offered to a family on the same basis as described in (a) above, with such coverage being treated as a third-party liability.

The State must impose a premium for coverage offered during the optional six-month period. The level of the premium may vary for options offered by the State (described above). The amount of the premium may not exceed 3 percent of the family's gross monthly earnings, and no premium may be imposed if the family's gross monthly earnings (less child care costs) do not exceed 100 percent of the OMB poverty line.

The bill requires the Secretary of Health and Human Services to conduct a study of the impact on the Medicaid extension provisions and to issue a report by January 1, 1993. The study must include an examination of the extent to which the availability of extended Medicaid benefits affects access to and use of medical services, the relative effectiveness of different types of coverage provided by States, and the effect of requiring families to pay premiums or incur any other expenses with respect to extended benefits.

Effective date.—October 1, 1989.

TITLE IV—CHILD SUPPORT SUPPLEMENT AMENDMENTS

Households Headed by Minor Parents

(Sec. 401)

Present law.—A minor parent who has a child, and who leaves home, may establish her own household and claim AFDC as a separate family unit. In this situation, the income of the parents of the minor parent is not automatically counted as available to the minor parent, because they are not sharing a household. If a minor parent lives with her parents, their income is counted in determining the benefit of the minor parent.

Committee bill.—A minor under age 18 who has never married and who has a child (or is pregnant) may receive assistance only if

she resides with a parent, legal guardian, or other adult relative, or in a foster home, maternity home, or other adult-supervised supportive living arrangement.

This requirement does not apply if (1) the individual has no parent or legal guardian who is living and whose whereabouts are known; (2) the parent or legal guardian does not allow the individual to live in the home; (3) the State agency determines that the physical or emotional health or safety of the individual or her child would be jeopardized; (4) the individual lived apart from her parent or legal guardian for a period of at least one year prior to the birth of the child or applying for benefits; or (5) the State agency otherwise determines (under regulations by the Secretary) that there is a good cause for waiving the arrangement. Assistance, where possible, must be paid to the parent or legal guardian.

Effective date.—The first day of the first quarter to begin one year after the date of enactment.

Benefits for Families of Unemployed Parents

(Sec. 402)

Present law.—Under present law, States are required to provide assistance to needy families with children in cases where the children are deprived of parental support because of a parent's death, incapacity, or absence from the home. At their option, States may also provide assistance to families in which the children are deprived of support because the principal earner in the family is unemployed. At present, 27 States, the District of Columbia, and Guam operate assistance programs for families of unemployed parents.

States with AFDC-Unemployed Parent Programs

California	Maryland	Ohio
Connecticut	Massachusetts	Oregon
Delaware	Michigan	Pennsylvania
District of Columbia	Minnesota	Rhode Island
Guam	Missouri	South Carolina
Hawaii	Montana	Vermont
Illinois	Nebraska	Washington
Iowa	New Jersey	West Virginia
Kansas	New York	Wisconsin
Maine	North Carolina	

States without AFDC-Unemployed Parent Programs

Alabama	Kentucky	South Dakota
Alaska	Louisiana	Tennessee
Arizona	Mississippi	Texas
Arkansas	Nevada	Utah
Colorado	New Hampshire	Virgin Islands
Florida	New Mexico	Virginia
Georgia	North Dakota	Wyoming
Idaho	Oklahoma	
Indiana	Puerto Rico	

Although cash assistance for unemployed parent families is optional with the States, present law requires all States to provide medical assistance to pregnant women and to children under age 7 in families meeting the AFDC needs standards even if the family is not otherwise eligible for AFDC.

Committee bill.—Effective October 1, 1990, all States would be required to provide cash assistance to families meeting the needs standards of the Child Support Supplement (CSS) program in which the children are deprived of parental support because of the unemployment of the principal earner. States could provide such assistance in the same manner in which they provide assistance under the regular CSS program or they could provide assistance under a specially designed program aimed at providing transitional assistance combined with emphasis on education, employment, and training to assist unemployed parents and their spouses to enter or reenter the workforce.

Under the bill, State programs of child support supplements for unemployed parent families (CSS–UP) could:

require participation by any parent in one or more education, employment, and training activities approved under the JOBS program (not to exceed a combined total of 40 hours per week);

provide that the cash payments would be made to participants after they had performed the required JOBS program activities;

provide for the participation of both spouses in JOBS program activities (subject to the JOBS program child care requirements); and

limit the duration of cash assistance eligibility. (However, a State could not deny benefits to an otherwise eligible family unless the family had received CSS–UP benefits in at least six out of the preceding 12 months.)

This provision for State flexibility in program design does not override other provisions in the bill that limit the number of hours a family may be required to participate in CWEP, require the provision of child care, and limit participation of parents caring for a child under age 6 to no more than 24 hours a week.

If a State chooses to provide a limit on the duration of cash assistance, medical assistance would nevertheless have to be provided for children in the family who are under age 18 and (as in present law) for pregnant women in the family.

It is the Committee's intent to allow States flexibility in structuring their CSS–UP programs. Thus, the above rules are intended to set the boundaries of the minimum that States may provide, but any program which falls between those limits and the full CSS program would be acceptable. Moreover, within those boundaries, States would be free to modify the rules from time to time without the need for Federal approval (although the Secretary must be kept informed by submittal of an amendment to the State's plan). Thus, for example, a State could, depending on employment or other conditions, change the duration limit from 6 to 8 months (and back to 6) as it determined appropriate. States could if they wished set a general durational limit, but allow for waiver of the limit under specified circumstances (provided that the waiver rules were applied uniformly to all families in the same manner as other CSS program rules). Similarly, for CSS–UP families exhausting the cash assistance durational limits, States could elect to provide broader medicaid coverage than the minimum required by the Committee bill.

If a State does elect to establish durational limits on cash assistance for CSS–UP families, it must provide assurances to the Secretary of Health and Human Services that it will have a program of active assistance to help the parents in those families prepare for and obtain employment.

The Committee recognizes that there have been long-standing and deeply held differences of opinion over the desirability of extending aid to families in which both parents are present and need arises because of parental unemployment rather than because of parental death, absence, or incapacity. These differences of opinion relate both to the cost of providing such aid and to the impact on families of providing or not providing such aid. In its hearings on welfare reform, the Committee received impressive testimony from the State of Utah about how it had resolved these differences by establishing a new type of unemployed parent program which provided help to the affected families but did so in ways which emphasize and strengthen the basic employability of these families. The Committee has patterned its unemployed parent provision generally after the Utah experience. The Committee recognizes that conditions are different in each State, and therefore allows each State a great deal of flexibility to modify the Utah model in ways which may be more appropriate to its population and economy.

The Committee is aware that there is a substantial body of research showing that there is a strong link between unemployment and family instability. The Committee hopes and expects that its unemployed parent provisions will encourage and enable States to operate programs which truly assist families to retain their stability while meeting their basic needs during periods of unemployment. Given the past history of differences of opinion about the most desirable form of assistance for such families, however, the Committee considers it extremely important that careful evaluation of these programs be conducted. For this reason, the bill requires the Secretary to conduct evaluations of State unemployed parent programs, including both time-limited and conventional UP programs. The Secretary is to report back to the Congress on the results of these evaluations and with any recommendations he or she may have no later than 4 years after enactment.

The bill also modifies the provision in current law that limits eligibility for assistance to families whose principal earner already has a measurable attachment to the work force. Under present law, the principal earner must (1) have 6 or more quarters of work in any 13-calendar-quarter period ending within one year prior to application for assistance, or (2) have received or been eligible to receive unemployment compensation within one year prior to application for assistance. Under the Committee bill, States will have the option of substituting attendance in school or technical training, or participation in JTPA, for four of the six required quarters of work. This option may be exercised in all or part of the State. In addition, the bill specifies that participation in the new JOBS program will be counted in meeting the quarter of work requirement. A parent who is otherwise eligible for child support supplements but does not receive them in any month solely because the State has chosen to provide benefits on a time-limited basis will be considered to continue to meet the quarter of work requirement and

will not be required to reestablish eligibility with respect to that requirement.

Efective date.—October 1, 1990.

Periodic Reevaluation of Need and Payment Standard

(Sec. 403)

Present law.—Under present law, each State determines the "need standards" for families of various sizes. A family with income below these "need standards" is considered to be "needy" and therefore eligible for assistance (provided that other eligibility conditions are also met). States also may establish "payment standards" which are used to determine the amount of assistance payment that needy families will qualify for. These are no Federal rules governing how States establish their need and payment standards or how often they must review or revise them.

Committee bill.—The Committee bill does not change the present law flexibility which allows each State to establish its own need and payment standards for assistance. However, States will be required to undertake a reevaluation of these standards at least once every 5 years. The bill does not require that States modify the standards as a result of the reevaluation, but they will be required to report the results to the Secretary who must in turn report to the Congress. These reports must include information as to how the standards are arrived at, how the need standard relates to the payment standard, and what changes, if any, were made in the standards during the five-year period.

TITLE V—DEMONSTRATION PROJECTS

Grants To Provide Permanent Housing for Families That Would Otherwise Require Emergency Assistance

(Sec. 501)

Committee bill.—The Secretary of HHS is authorized to make grants for demonstration programs to test whether States that incur particularly high costs in providing emergency assistance for temporary housing to homeless welfare families can effectively reduce such costs by the construction or rehabilitation of permanent housing that such families can afford with their regular welfare payments.

The Secretary shall select up to two States from among those who apply, and are eligible for selection, to conduct a demonstration project. To be eligible, a State must be currently providing emergency assistance in the form of housing, including transitional housing; have a particularly acute need for assistance in dealing with the problems of homeless welfare families by virtue of the large number of such families and the existence of shortages in the supply of low-income housing in the political subdivision or subdivisions where such project would be conducted; and submit a plan to achieve significant cost savings over a 10-year period through the conduct of such project with assistance under this demonstration authority. If more than two States are determined to be eligible,

the two States selected shall be those with respect to which cost savings will be the greatest.

Grants for each demonstration project shall be awarded within six months after the date of appropriation of funds.

The Secretary shall make annual grants to each State conducting a demonstration project for the construction or rehabilitation of permanent housing to serve families who would otherwise require emergency assistance in the form of temporary housing.

To receive a grant, the State must furnish the Secretary with satisfactory assurances that—

(1) the proceeds of the grant will be used exclusively for the construction or rehabilitation of permanent housing to be owned by the State, a political subdivision of the State, an agency or instrumentality of the State or of a political subdivision of the State, or a nonprofit organization;

(2) all units assisted with funds under the grant will be used exclusively for rental to families which (a) are eligible, at the time of the rental, for assistance under the State's plan; (b) have been unable to obtain non-emergency housing at rents that can be paid with the portion of such assistance allocated for shelter; and (c) if such units were not available to them, would be compelled to live in a shelter for the homeless or in a hotel or other temporary accommodation paid for with emergency assistance, or would be homeless;

(3) the local jurisdiction in which the housing will be located is experiencing a critical shortage of housing units that are available to families eligible for assistance under the State plan at rents that can be paid with the amount of assistance allocated for shelter; and

(4) whenever units assisted with grants become available for occupancy, the State will discontinue the use of an equivalent number of units of the most costly accommodations it has been using as temporary housing paid for with emergency assistance, except to the extent that such accommodations are demonstrably needed (a) in addition to the units that are assisted, to take account of the emergency assistance caseload, or (b) because discontinuing the use of such units would not be in the best interests of needy families (provided that the State discontinues the use of an equivalent number of other units it has been using as temporary housing paid for with emergency assistance).

The average cost to the Federal Government per unit of housing constructed or rehabilitated with a grant shall be an amount no greater than the yearly Federal payment of emergency assistance that would be required to provide housing for a family in a shelter for the homeless, a hotel or motel, or other temporary quarters for one year in the jurisdiction where the project is located.

The total amount of Federal payments to a State under part A of title IV of the Social Security Act over a 10-year period beginning at the time construction or rehabilitation commences under the State's project, with respect to the families who will live in housing assisted by a grant under the project (the "total grant cost"), must be lower as a result of the construction or rehabilitation of permanent housing with the grant than the total amount of Federal pay-

ments under the part that would have been made if the State made emergency assistance payments with respect to the families involved at the level of the "standard yearly payment" during the 10-year period. If the "total grant cost" is not lower than the total amount of Federal payments, the State shall be responsible for paying the difference between such cost and such total amount.

The bill provides the following definitions for use with respect to this demonstration project:

"Emergency assistance" means emergency assistance to needy families with children as provided in section 406(e) of the Social Security Act, and regular payments for the costs of temporary housing authorized as a special needs item under the State plan.

"Standard yearly payment," with respect to emergency assistance used to provide housing for a family in a shelter for the homeless, a hotel, or other temporary quarters during any year in any jurisdiction, means an amount equal to the total amount of such assistance which was needed to provide all housing in temporary accommodations in that jurisdiction in the most recently completed calendar year, at the 75th percentile in the range of all payments of emergency assistance for temporary accommodations, based on the State's actual experience with emergency assistance in such jurisdiction.

"Total grant cost," with respect to housing constructed or rehabilitated under a demonstration project, means the sum of (a) the Federal share of payments attributable to the construction or rehabilitation of such housing during the 10-year period beginning on the date on which its construction or rehabilitation begins, (b) the Federal share of payments of emergency assistance for temporary housing to the families involved during that part of the 10-year period in which such housing is undergoing construction or rehabilitation, and (c) the Federal share of regular payments of child support supplements under the State plan to such families during the remainder of the 10-year period.

Any grant to a State under this authority shall be made only on condition that the non-Federal share of the total cost of the construction or rehabilitation of the housing involved is equal to at least the percentage of the current non-Federal share of assistance under the State's cash assistance program, increased by 10 percentage points, and that such State not require any of its political subdivisions to pay a higher percentage of the total costs of the construction or rehabilitation of such housing than they would pay with respect to such cash assistance.

The bill authorizes an appropriation of $8 million for each of the first five fiscal years beginning on or after October 1, 1988 for the purpose of making grants to conduct the demonstration projects. This amount shall be divided between the States conducting demonstration projects according to their respective need for assistance of the type involved and their respective numbers of homeless families receiving cash assistance.

The Secretary is required to publish regulations to implement the demonstration authority no later than six months after the date of enactment.

Projects for Developing Innovative Education and Training Programs for Children Receiving Child Support Supplements

(Sec. 502)

Committee bill.—The bill authorizes an appropriation of $500,000 for each of fiscal years 1989, 1990, 1991, 1992, and 1993 to allow the Secretary to make grants to States for demonstration projects aimed at encouraging the development of innovative education and training programs for children receiving child support supplements. States may establish and conduct one or more demonstration projects, targeted to such children, that are designed to test financial incentives and alternative approaches to reducing the number of school dropouts, encouraging skill development, and avoiding welfare dependence.

Demonstration projects must meet such conditions and requirements as the Secretary shall prescribe, and each project must be conducted for at least one year, but no longer than five years.

Projects to Encourage States to Employ Parents as Paid Child Care Providers

(Sec. 503)

Committee bill.—The bill authorizes an appropriation of $1 million for each of fiscal years 1989, 1990, 1991, 1992, and 1993 to enable the Secretary of Health and Human Services to make grants to States to encourage the employment of parents of dependent children receiving child support supplements as providers of child care for other children receiving such supplements.

Up to five States will be allowed to conduct demonstrations to test whether such employment will effectively facilitate the conduct of the education, training, and work program (JOBS) provided for under the Committee's bill by making additional child care services available, while affording significant numbers of families receiving child support supplements a realistic opportunity to avoid welfare dependence.

The Secretary must consider all applications received from States, and must approve up to five applications involving projects which appear likely to contribute significantly to the achievement of the purpose of the demonstration. Projects conducted under the demonstration must meet such conditions and requirements as the Secretary shall prescribe.

Demonstration Projects to Test Alternative Definitions of Unemployment

(Sec. 504)

Present law.—Under present law, States have the option of providing assistance to families in which the children are deprived of support because of the "unemployment" of the principal earner. The concept of what constitutes unemployment is not statutorily defined. The statute requires the Secretary to define the term, and regulations generally require that an individual be working less

than 100 hours per month to be considered unemployed. (An individual could be considered unemployed if he exceeds this limit in a month because of temporary and intermittent work provided that he did not work more than 100 hours in the 2 preceeding months and is not expected to work more than 100 hours in the following month.)

Committee bill.—The Committee bill requires the Secretary of Health and Human Services to approve demonstration projects to test a definition of unemployment which is easier to meet than the present 100 hour rule. Such demonstration projects may be Statewide, but may also be operated on a less than Statewide basis. The Secretary may not approve demonstration projects in more than 10 States, and the demonstration authority for these projects expires 5 years after the date of enactment. States undertaking these projects will be required to evaluate their costs and employment effects using randomly selected control and experimental participants. Upon the conclusion of the demonstrations, the Secretary must report the results to Congress.

Projects to Address Child Access Problems

(Sec. 505)

Committee bill.—The bill authorizes appropriations of $5 million for each of fiscal years 1989 and 1990 for the purpose of making grants to States to assist in financing projects to develop, improve, or expand activities designed to increase compliance with child access provisions of court orders.

Activities that may be funded by a grant include the development of systematic procedures for enforcing access provisions of court orders, the establishment of special staffs to deal with and mediate disputes involving access (both before and after a court order has been issued), and the dissemination of information to parents. Projects may be conducted through the executive, legislative, or judicial branches of the State government.

Not later than July 1991 the Secretary of Health and Human Services must submit a report to the Congress on the effectiveness of the demonstration projects in (1) decreasing the time required for the resolution of disputes related to child access, (2) reducing litigation relating to access disputes, and (3) improving compliance with court-ordered child support payments.

Projects to Expand the Number of Child Care Facilities and the Availability of Child Care, With Emphasis on Increasing Child Care in Rural Areas

(Sec. 506)

Committee bill.—There are authorized to be appropriated $5 million for each of fiscal years 1989, 1990, and 1991 for the purpose of making grants to not less than five nor more than 10 States to conduct demonstration projects aimed at increasing opportunities for child care for families eligible for child support supplements.

In selecting States to conduct demonstration projects the Secretary shall give priority to States (1) that propose to conduct the

project in communities with a population of less than 50,000; and (2) with the severest shortage of affordable child care for children eligible for child support supplements.

Each State submitting an application must describe (1) the technical and financial assistance that will be made available under the project; (2) the geographic area that will be primarily served by the project; and (3) with respect to such area, the number of households receiving public assistance, the number of children eligible for child support supplements, and existing child care opportunities (including the number of available positions for children and the average monthly cost per child).

States conducting demonstration projects must contract with one or more nonprofit organizations to carry out the project, including furnishing technical and financial assistance to child care providers that meet applicable State or local standards to assist such providers in increasing the availability of child care in a community through such methods as the acquisition, expansion, or rehabilitation of child care facilities, and (if the contract with the State provides) by providing transportation to assure access to such facilities.

A demonstration project conducted under this authority shall be commenced not later than September 30, 1988, and shall be conducted for a three-year period unless the Secretary determines that the State conducting the project is not in substantial compliance with the terms of the agreement entered into by the Secretary and the State.

Each State conducting a demonstration project must furnish the Secretary with such information as he determines necessary to evaluate the results of the demonstration. Not later than October 1, 1991, the Secretary must submit a report to the Congress that describes the results of the projects and contains such recommendations as the Secretary determines are appropriate.

Projects to Expand the Number of Job Opportunities Available to Certain Low-Income Individuals

(Sec. 507)

Committee bill.—The bill authorizes $7.5 million for each of fiscal years 1989, 1990, and 1991 for grants to nonprofit organizations, including community development corporations, to conduct demonstration projects aimed at creating employment opportunities for certain low-income individuals.

The Secretary of Health and Human Services is directed to enter into agreements with not less than five nor more than 10 such organizations that apply to conduct a demonstration project. Organizations conducting projects are required to provide technical and financial assistance to private employers in the community to assist them in creating employment and business opportunities for eligible individuals. Eligible individuals include any individual eligible to receive child support supplements, as well as other individuals whose income does not exceed 100 percent of the OMB poverty line.

Organizations submitting applications for grants must include information in their applications that describes (1) the technical and

financial assistance that will be made available under the project; (2) the geographic area to be served; (3) the percentage of low-income individuals and individuals receiving child support supplements in the area to be served by the project; and (4) unemployment rates in the geographic areas to be served and (to the extent practicable) the jobs available and skills necessary to fill those vacancies in such areas.

In approving applications, the Secretary shall give priority to applications proposing to serve those areas containing the highest percentage of individuals receiving child support supplements.

An organization participating in a demonstration project must provide assurances to the Secretary that it has or will have a cooperative relationship with the agency responsible for administering the JOBS program in the area served by the project.

Demonstrations must begin not later than September 30, 1988, and are to be conducted for a three-year period. However, the Secretary may terminate a project at an earlier date if he determines that the organization conducting the project is not in substantial compliance with the terms of the agreement entered into by the State and the Secretary.

The bill requires the Secretary to conduct an evaluation of the success of each demonstration project in creating job opportunities. Not later than October 1, 1991, the Secretary must submit to the Congress a report containing a summary of the evaluations, together with such recommendations as he determines are appropriate. The Secretary may require each organization conducting a demonstration to provide such information as he determines necessary to prepare the required report.

Projects to Provide Counseling and Services to High-Risk Teenagers

(Sec. 508)

Committee bill.—The bill authorizes the establishment of State teen care demonstration projects aimed at providing programs in which a range of non-academic services (sports, recreation, and the arts) and self-image counseling are provided to high-risk teenagers in order to reduce the rates of pregnancy, suicide, substance abuse, and school dropout among such teenagers. The Secretary of Health and Human Services is directed to enter into agreements with four States that submit applications to conduct such demonstration projects.

States conducting demonstrations must establish a "Teen Care Plan" that consists of the following: (1) a clearing house where high-risk teenagers will be referred and encouraged to participate in non-academic activities which are already in place in the community; (2) a survey of the area to be targeted by the project to determine the need to fund and create new non-academic activities in the area; (3) counseling services using qualified, locally licensed psychologists and/or social psychologists or other mental health professionals or related experts to provide individual and group counseling to participating high-risk teenagers; (4) a program to provide participants in the project (to the extent practicable) with

transportation, child care, and equipment necessary to carry out the purposes of the project.

Each State conducting a demonstration must designate two geographical areas within the State to be targeted by the project. One area will serve as the "home base" for the project, where services will be concentrated and in which a local school system will be selected to receive services and provide facilities for resources referral and counseling. The second geographical area will serve as a "peripheral" participant, receiving assistance and services from the home base.

For purposes of the demonstration, a high-risk teenager is defined to include an individual who has reached age 10 but is under age 21, and who: has a history of academic problems; has a history of behavioral problems both in and out of school; comes from a one-parent household; or is pregnant or the mother of a child.

In selecting the States to conduct demonstration projects the Secretary is directed to consult with the Consortium on Adolescent Pregnancy. The bill further directs the Secretary to consider each State's rate of teenage pregnancy, teenage school dropout rate, incidence of teenage substance abuse, and incidence of teenage suicide.

The Secretary must give priority to States whose applications (1) demonstrate a current strong State commitment aimed at reducing teenage pregnancy, suicide, drug abuse, and school dropout; (2) contain a "State support agreement" signed by the Governor, the State School Commissioner, the State Department of Human Services, and the State Department of Education, pledging their commitment to the project; (3) describe facilities and services to be made available by the State to assist in carrying out the project; and (4) indicate a demonstrably high rate of alcoholism among State residents.

Of the States selected, one must be a geographically small State with a population of less than 1,250,000; one must be a State with a population of over 20,000,000; and two must be States with populations of more than 1,000,000 but less than 20,000,000. The Committee directs the Secretary to assure that at least one of the projects will be in a rural area.

Each State conducting a demonstration project must submit to the Secretary for his approval an evaluation plan that provides for examining the effectiveness of the project in both the home base and the peripheral areas of the State. The Secretary is directed to submit to the Congress a report containing a summary of the evaluations conducted by States. The report is due no later than October 1, 1991.

The bill authorizes an appropriation of $2 million for each of fiscal years 1989, 1990, and 1991 for the purpose of making grants to the States. Three-fifths of the total amounts that go to each State must be expended by the State for the provision of services and facilities within the State's designated project home base, and five percent of this three-fifths must be set aside to conduct the evaluation required for each project. Two-fifths of the funds for each State must be expended by the State for the provision of services and facilities within the State's designated peripheral area, with five percent of the two-fifths set aside for purposes of the required evaluation.

Demonstration projects must begin not later than September 30, 1988, and are to be conducted for a three-year period. However, the Secretary may terminate a project before the end of the three-year period if he determines that the State conducting the project is not in substantial compliance with the terms of the agreement entered into between the State and the Secretary.

TITLE VI—PAYMENTS TO AMERICAN SAMOA, THE COMMONWEALTH OF PUERTO RICO, GUAM, AND THE VIRGIN ISLANDS

Inclusion of American Samoa Under Title IV

(Sec. 601)

Present law.—Puerto Rico, Guam, and the Virgin Islands participate in the programs established by title IV of the Social Security Act. These programs are Aid to Families with Dependent Children, Child Welfare Services, Child Support Enforcement, Adoption Assistance and Foster Care. These jurisdictions participate in those programs on the same basis as the 50 States and the District of Columbia except that there are statutory limits on the Federal funding available to them for AFDC, Foster Care, and Adoption Assistance. American Samoa is not authorized to participate in these programs.

Committee bill.—American Samoa would be authorized to operate programs under title IV of the Social Security Act. In the case of assistance under the AFDC, Foster Care, and Adoption Assistance programs, a limit on Federal funding of $1 million per year would be established. The provision in the Committee bill would be effective October 1, 1988.

Increase in the Amount Available for Payment to Puerto Rico, the Virgin Islands, and Guam

(Sec. 602)

Present law.—The program of Aid to Families with Dependent Children (AFDC) is available in the jurisdictions of Puerto Rico, Guam, and the Virgin Islands as well as in the fifty States and the District of Columbia. Although the Federal law governing AFDC generally applies on the same basis in these jurisdictions as in the States, the amount of Federal funding is subject to special rules. The Federal matching rate is set at 75 percent and is subject to an overall limit of $72 million for Puerto Rico, $2.4 million for the Virgin Islands, and $3.3 million for Guam. (In addition to AFDC, the jurisdictions must also fund their programs of aid to the aged, blind, and disabled and of foster care and adoption assistance within these limits.) An additional amount of $2 million for Puerto Rico, $65,000 for the Virgin Islands, and $90,000 for Guam is available in Federal funding for services provided through the AFDC program for family planning or as supportive services in connection with the Work Incentive (WIN) program.

Committe bill.—The committee bill increases the basic limitation on Federal funding in Puerto Rico, Guam, and the Virgin Islands

for AFDC, and aid to the aged, blind, and disabled, foster care, and adoption assistance. The limit for Puerto Rico is increased by $10 million to a new limit of $82 million for fiscal year 1989 and thereafter. The limit for the Virgin Islands is increased by $400,000 to $2.8 million, and the limit for Guam is increased by $500,000 to $3.8 million.

TITLE VII—DEMONSTRATION AUTHORITY

Waiver Authority Under Part F of Title IV

(Sec. 701)

Present law.—Title XI of the Social Security Act authorizes the Secretary of Health and Human Services to grant waivers of certain provisions of the AFDC, Child Support, and Medicaid statutes for purposes of carrying out experimental, pilot, or demonstration projects which he or she determines would be "likely to assist in promoting the objectives" of those programs.

Committee bill.—The existing demonstration project and waiver provisions of title XI are not modified by the Committee bill. However, the bill adds a new and additional authority to enable States to: (1) test new ways to use Federal and State funds to help families achieve independence through education, training, and work experience and (2) allow States maximum flexibility in using funds that now support low-income families in order to relieve poverty and its effects.

The bill specifies a number of areas of emphasis to be considered by the Secretary of Health and Human Services in deciding whether to approve applications to conduct demonstration projects under this new authority. For example, special consideration is to be given to demonstrations which are designed to provide effective means for assisting the Nation's citizens to avoid poverty; to improve methods of helping public assistance recipients achieve economic independence; to improve methods of providing more adequate support for low income children; to provide coordination of employment and training programs; to provide transitional child care and health care assistance to individuals who become ineligible for child support supplements as a result of increased collection of child or spousal support or as a result of employment; to increase the number of determinations of paternity and improve the collection of child support for recipients of child support supplements; to provide child care to children of participants in education and training programs; to increase efforts by nongovernmental organizations to help public assistance recipients achieve economic independence; and to address and promote the needs of rural areas.

Demonstrations under the new authority could include any or all of the following: the child support supplement program, the JOBS program, the child support enforcement program, the emergency assistance program, the social services block grant program, and any non-Federal program which is operated within the State to alleviate poverty.

The Secretary of HHS will have continuing responsibility for conducting evaluations of each demonstration. These evaluations must be in accordance with the principals of experimental design.

The bill includes strict protections. Demonstration programs would have to be designed so that participating families and individuals (both applicants and recipients) would not suffer a loss of benefits, including in kind benefits, as a result of the demonstration. Participants in work, training, or education activities would have to have access to necessary child care services and would have protections relating to wage levels at not less than Federal and State minimums, health and safety standards, reasonableness of commuting distance, non-displacement of current employees, workers' compensation coverage, and access to hearings in the case of disputes. The application to operate a demonstration project would have to specify the participation requirements and the sanctions (if any) that would be imposed for failure to participate. The application would also have to specifically indicate the laws and regulations proposed to be waived in the demonstration project.

For any fiscal year, the Federal funding for a demonstration project will be equal to the amount estimated by the Federal agency involved that would have been provided in the absence of the demonstration project under the programs it replaces. Similarly, the non-Federal contribution required will be the same as would have been required under the programs replaced by the demonstration. If States are able to operate the demonstration projects in such a way as to reduce costs compared with existing law, the difference may be applied to improving the demonstration or otherwise benefitting the affected participants. To the extent that the demonstration replaces programs for which funding is provided on an entitlement basis, States may request that the demonstration be funded on an entitlement basis but only if the Secretary estimates that there will not be a large increase or decrease in Federal funding compared with the situation that would exist in the absence of the demonstration project.

Demonstration projects must be designed to protect the civil rights of participants, and no more than 50 demonstration projects under this authority may be in operation at any given time. Demonstration projects involving waiver of child support enforcement rules must not interfere with effective interstate paternity determination or child support enforcement and must not result in lowering child support collections.

When a demonstration project is approved and becomes operational, individuals and families must qualify for benefits under the rules of that program rather than under the rules of the programs for which it is substituting, but eligibility for programs not included in the demonstration project will be determined as if the demonstration project were not in operation.

Demonstration projects are to be conducted for periods not exceeding 5 years and the Secretary of Health and Human Services is to submit a final report on each project within one year after it terminates. The Secretary is also required to report annually on demonstrations being conducted and their effectiveness. The Governor of a State, with at least 3 months notice, may terminate a demonstration program. Similarly, the Secretary may terminate a program if it no longer meets the conditions of approval.

TITLE VIII—ADMINISTRATION OF PROGRAMS UNDER PARTS A AND D

Assistant Secretary for Family Support

(Sec. 801)

Present law.—The Department of Health and Human Services has five major operating divisions: the Office of Human Development Services, the Public Health Service, the Health Care Financing Administration, the Social Security Administration, and the Family Support Administration. With the exception of the Family Support Administration, each of these major departmental subdivisions is headed either by an Assistant Secretary or an individual of comparable rank who is nominated to the office by the President with the advice and consent of the Senate. The Administrator of the Family Support Administration is appointed by the Secretary of Health and Human Services and takes office without Senate confirmation.

Committee bill.—Under the Committee bill, a new position of Assistant Secretary for Family Support would be established within the Department of Health and Human Services. This office would be subject to Senate confirmation. The Assistant Secretary for Family Support would be responsible for the administration of the child support supplement program, the job opportunities and basic skills training program, and the child support enforcement program.

As described more fully in connection with the new job opportunities and basic skills training program, the Committee bill establishes a new administrative structure aimed at providing an integrated approach to operating the elements of the national welfare program. The Committee believes that this program addresses a major priority of the Nation and deserves to be headed by an individual of a stature equal to that of the administrators of other major Governmental programs. Moreover, the Committee feels that its commitment to a vigorous oversight of the implementation and operation of this reformed welfare program would appropriately begin by giving careful consideration through the Senate confirmation process to the individual nominated to administer it.

Responsibilities of the State

(Sec. 802)

Present law.—Present law establishes separate programs of cash assistance, child support enforcement, and employment and training.

Committee bill.—This section of the Committee bill directly addresses the need to coordinate the elements of these programs by placing on States an affirmative responsibility:

to assure that benefits and services under these programs are provided in an integrated manner;

to encourage, assist, and require parents who seek assistance to prepare for and obtain employment and to cooperate in enforcing child support obligations; and

to notify recipients of assistance of the availability of services aimed at enhancing their employability and at establishing paternity and enforcing child support.

Preeligibility Fraud Detection

(Sec. 803)

Present law.—Present law has no specific requirement that States conduct activities aimed at detecting fraudulent applications for assistance prior to the establishment of eligibility.

Committee bill.—The Committee bill provides that the Secretary of Health and Human Services shall issue regulations requiring States to implement appropriate procedures to assist in the early detection of fraudulent applications for assistance.

The Committee understands that demonstration projects have shown that it is possible for States to adopt procedures which allow for the early detection of fraudulent applications for assistance. For example, in certain projects, intake workers were specially trained to recognize certain indications of possible fraud and to promptly inform investigative units of the agency. The Committee believes that the Secretary should examine the findings of the various demonstration projects that have been conducted and issue appropriate regulations covering this matter.

The Committee recognizes that it may not be cost effective to establish pre-eligibility investigative units in all offices, particularly those in rural areas with small caseloads. The Committee expects the Secretary to take this into account in the development of the required regulations.

Concern has been expressed that the requirement of preeligibility fraud detection procedures will have the effect of intimidating and harassing applicants for assistance. The Committee does not believe that States will implement this provision in such a way as to have this result, and clearly it is not the Committee's intent that they should do so. Because of the concerns that have been expressed, however, the Committee urges the Secretary to address this issue in his regulations.

TITLE IX—TAX PROVISIONS

1. Permanent Extension of Program for IRS Collection of Nontax Debts Owed to Federal Agencies (Sec. 901 of the Bill and Sec. 6402 of the Code)

PRESENT LAW

Federal agencies are authorized to notify the IRS that a person owes a past due, legally enforceable debt to the agency. The IRS then must reduce the amount of any tax refund due the person by the amount of the debt and pay that amount to the agency. The refund offset program applies to individuals and corporations. This program is scheduled to expire after June 30, 1988.

Before a refund can be offset under this program, the agency that is owed a debt must certify to the IRS that the debtor has been notified about the proposed offset and has been given at least 60 days to present evidence that all or part of the debt is not past

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due or not legally enforceable. The agency must also enter into an agreement with the IRS prior to transmitting proposed offsets. If a refund otherwise due an individual is subject to offset both under this provision and because of AFDC past-due support, the offset for AFDC past-due support is implemented first.

REASONS FOR CHANGE

A permanent extension of the debt collection provisions is believed to be appropriate to facilitate the collection of debts owed to Federal agencies that the agencies have been unable to collect themselves.

EXPLANATION OF PROVISION

The bill permanently extends the tax refund offset program. Other than this permanent extension, the program is unchanged.

Prior to the enactment of this provision, some Federal agencies may take actions to notify a debtor of a proposed offset and to certify to the Treasury Department that a debt is owed, as required by section 3720A of title 31, United States Code. It is intended that these agency actions not be affected by the fact that they were taken before Congress enacted this extension of the Federal debt collection program.

The Committee retained the requirement of present law that GAO, in consultation with the Secretary of the Treasury, report to the Congress on the effects of this program on voluntary tax compliance. The report is due on April 1, 1989. This report is to provide and analyze data on the effects of the program, such as whether taxpayers whose refunds are offset continue to file tax returns and whether those taxpayers adjust their withholding so as to create additional collection difficulties.

EFFECTIVE DATE

The provision is effective on the date of enactment.

2. PHASE-OUT OF DEPENDENT CARE CREDIT FOR HIGHER-INCOME TAXPAYERS (SEC. 902 OF THE BILL AND SEC. 21 OF THE CODE)

PRESENT LAW

A nonrefundable income tax credit generally is allowed for up to 30 percent of a limited dollar amount of employment-related expenses for the care of a dependent who is under the age of 15, or of a physically or mentally incapacitated dependent or spouse (sec. 21).

Eligible employment-related expenses are limited to $2,400 ($4,800 if there are two or more qualifying individuals). The 30-percent credit rate is reduced by one percentage point for each $2,000 (or fraction thereof) of the taxpayer's adjusted gross income (AGI) between $10,000 and $28,000. The credit rate is 20 percent for taxpayers with AGI in excess of $28,000.

Expenses eligible for the credit may, under certain circumstances, include costs incurred by the taxpayer for day care, nursery school, a housekeeper or other home care, and day camp. Under the Omnibus Budget Reconciliation Act of 1987, expenses in-

curred by a taxpayer for an overnight camp are ineligible for the dependent care credit, effective for taxable years beginning on or after January 1, 1988.

REASONS FOR CHANGE

The dependent care credit was enacted to assist working individuals in obtaining adequate child care. Generally, the credit is intended to assist low- and middle-income earners who might not otherwise be able to enter the work force. Accordingly, the committee believes that the credit should be phased out for higher-income individuals, who are better able to afford adequate child care without the assistance of the credit.

EXPLANATION OF PROVISION

Under the bill, the dependent care credit is phased out for taxpayers with AGI between $70,000 and $93,750. Thus, the 20-percent credit rate is to be reduced by one percentage point for each $1,250 (or fraction thereof) by which the taxpayer's AGI exceeds $70,000. No dependent care credit will be allowed for a taxpayer whose AGI exceeds $93,750. The committee intends that the Internal Revenue Service may develop tables or other means to simplify the determination of the credit for taxpayers in the phaseout range (i.e., taxpayers with AGI between $70,000 and $93,750).

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 1988.

3. TAXPAYER IDENTIFICATION NUMBERS (TINS) REQUIRED FOR DEPENDENTS AGE 2 AND OVER CLAIMED ON TAX RETURNS (SEC. 903 OF THE BILL AND SECS. 6109 AND 6676 OF THE CODE)

PRESENT LAW

Under present law, an individual must include his or her taxpayer identification number (TIN) on the individual's tax return. In addition, an individual claiming an exemption for a dependent who is at least 5 years old must report the taxpayer identification number of the dependent on the individual's tax return. The penalty for failing to include the TIN (or for including an incorrect TIN) is $5 per TIN per return.

An individual's TIN is generally the individual's social security number. Some individuals are exempted from social security self-employment taxes due to their religious beliefs. These individuals do not have a social security number; instead, they are administratively assigned a taxpayer identification number.

REASONS FOR CHANGE

The Committee believes that it is important to ensure the validity of claims for dependency exemptions on tax returns. Some taxpayers claim an exemption for dependents that taxpayers are not entitled to claim. For example, following a divorce, both parents may continue to claim the children as dependents, even though

only one of the parents is legally entitled to claim the children as dependents.

The Committee believes that compliance in this area will be increased by requiring taxpayers to include on tax returns the taxpayers identification number (TIN) of any dependent who is at least 2 years old.

EXPLANATION OF PROVISION

A taxpayer claiming an exemption for dependent who is at least 2 years old before the close of any taxable year must include the taxpayer identification number of that dependent on the tax return of the taxpayer for that taxable year. The penalty for failing to include the TIN of a dependent (or for including an incorrect TIN) continues to be $5 per TIN per return. In addition, if the IRS requests a taxpayer to supply an incorrect or missing TIN but the taxpayer fails to do so, the IRS may continue its current practice of denying the exemption for the dependent if the taxpayer is unable to establish that it is proper to claim that dependent on the tax return.

The Committee does not intend any change in the special procedures for obtaining taxpayer identification numbers utilized by taxpayers whose religious beliefs affect their participation in social security.

EFFECTIVE DATE

This provision is effective for returns due after December 31, 1988 (determined without regard to extensions).

TITLE XI—REORGANIZATION AND REDESIGNATION OF TITLE IV; GENERAL CONFORMING AMENDMENT RELATING TO SUCH REORGANIZATION AND REDESIGNATION

TABLE OF CONTENTS IN TITLE IV

(Sec. 1101)

Present law.—Under present law, title IV of the Social Security Act consists of 5 separate parts:

PART A—AID TO FAMILIES WITH DEPENDENT CHILDREN

This is the "basic" program under which Federal matching grants are made to States to help them meet the cost of providing cash assistance payments to needy families of children who have been deprived of parental support because of the death, incapacity, or absence from the home of a parent or (at State option) because of the unemployment of the parent who is the principal earner in the family. This was the "original" program enacted in 1935 as "Aid to Dependent Children."

PART B—CHILD WELFARE SERVICES

This is a program of Federal grants to assist States in providing services to protect and promote the welfare of children. In the 1935 Act, this program was Part 3 of Title V.

PART C—WORK INCENTIVE PROGRAM

This is a program providing for employment and training activities for recipients of Aid to Families with Dependent Children. The WIN program was added to the Social Security Act in 1967.

PART D—CHILD SUPPORT ENFORCEMENT AND PATERNITY

This is a program under which States provide services to assist families, including families on welfare and other families requesting such services, to establish the paternity of absent parents, and to obtain and enforce child support orders. This part of Title IV was added by amendments enacted in 1975, and grew out of amendments approved by the Congress in 1967.

PART E—FEDERAL PAYMENTS FOR FOSTER CARE AND ADOPTION ASSISTANCE

This is a program under which Federal grants are made to States to assist in paying the costs of foster care and adoption assistance for children who would otherwise be members of families receiving aid to families with dependent children. The AFDC-Foster Care program was established (first temporarily and then permanently) under laws enacted in the early 1960's. It was transferred to Part E, and Adoption Assistance provided for, under the Adoption Assistance and Child Welfare Act of 1980.

Committee bill.—The Committee bill reorganizes title IV as follows:

Part A—Child Support Enforcement
Part B—Job Opportunities and Basic Skills Training Program
Part C—Child Support Supplement Program
Part D—Child Welfare Services
Part E—Foster Care and Adoption Assistance
Part F—Waiver Authority

The Committee bill thus re-forms the fundamental welfare system of the country in legislative structure as well as substance. The new structure is designed to emphasize the new approach to welfare embodied in the bill which places independence ahead of dependency. The primary responsibility for the well being of children rests not with the Government but with the parents of the child. Consequently, the first part of the new national welfare law requires the Government—State, Local, and Federal—to make sure that parents live up to their obligation to provide financial support for their children. Where parents are unable to provide adequate support for their children, the second level of Governmental intervention and the second part of the welfare law is to provide a program which will help parents to obtain the necessary education, training, work skills, and experience to improve their earnings capacity and, insofar as possible, to earn enough to become able to provide the appropriate level of support for their families. There will always be some cases where child support enforcement is unattainable or where need arises because of the incapacity or death of a parent and where efforts to restore the family to self-sufficiency are temporarily or permanently unsuccessful. In such cases, Governmental assistance will take the form of child support supple-

ments under a program which is embodied in the revised act as part C of title IV. The existing program of child welfare services is retained in a redesignated part D. Also retained is the existing Part E program of Adoption Assistance and Foster Care. To encourage States to continue the experimentation of the past several years which has provided much of the impetus underlying this welfare reform legislation, a new part F is established setting the conditions for obtaining waivers necessary to operate experimental projects.

III. REGULATORY IMPACT OF THE BILL

In compliance with paragraph 11(b) of Rule XXVI of the Standing Rules of the Senate, the following evaluation is made concerning the regulatory impact which would be incurred in carrying out the bill:

Individuals and businesses affected.—The Committee is unable to estimate precisely the numbers of individuals and businesses that might be affected by regulations issued to carry out this legislation. However, in general terms, regulatory impacts can be expected as follows:

(a) Child support provisions.—The child support provisions of the bill will require the establishment of regulations relating to wage withholding, child support award guidelines, and periodic review of child support awards. These regulations will affect families who are seeking or receiving child support services through the child support enforcement program under the Social Security Act, the absent parents who owe support to such families, and many of the employers of such parents. The most recent available statistics indicate that there are about 1.7 million child support enforcement cases under this program.

(b) Child support supplement and JOBS programs.—The regulations issued to carry out these provisions of the bill are unlikely to have any direct regulatory impact on businesses. The individuals affected will be those who participate in the program. At present, there are approximately 11 million recipients of assistance (3.8 million families) under title IV of the Social Security Act.

Economic impact of regulations on individuals, consumers, and businesses.—The Committee does not anticipate that there would be any significant impact on consumers generally resulting from the regulations issued to carry out this legislation. There could be some impact on those businesses required to carry out the wage withholding. However, withholding is already required of businesses for tax and other purposes and existing law requires withholding in cases of child support arrearage. Since it appears that most of the child support enforcement cases affected by this legislation already involve arrearages, there is unlikely to be a substantial cost to employers. The regulations issued pursuant to this legislation are expected by the Committee to have a significant economic impact on the individuals directly affected by the bill. To the extent that the regulations result in increased collections and higher child support award levels, there will be an economic impact on both the families receiving child support and on the individuals required to pay that support.

Impact on personal privacy.—The Committee bill will have minimal impact on personal privacy. The bill does include some provisions increasing the access of child support enforcement authorities to information such as unemployment wage and claims data and social security numbers. However, these provisions will operate only for the numbers. However, these provisions will operate only for the limited purpose of enforcing child support and should not result in any inappropriate loss of privacy protections for the individuals involved.

Amount of additional paperwork.—While there will be some additional paperwork associated with the regulations to carry out this bill, the Committee does not anticipate that this will be significant. The above discussions on the individuals and businesses affected and the economic impact would also be generally applicable to this paperwork evaluation subject to the general characterization that any paperwork impact is expected to be relatively slight and incidental to the general impact described in those discussions.

IV. VOTE OF THE COMMITTEE IN REPORTING THE BILL

In compliance with paragraph 7 of Rule XXVI of the Standing Rules of the Senate, the following statement is made relative to the vote by the committee to report the bill:

The bill was ordered favorably reported, with a majority of the full membership of the Committee physically present, by a vote of 17 to 3, as follows:

Voting aye: Messrs. Bentsen, Matsunaga, Moynihan, Baucus, Boren, Bradley, Mitchell, Pryor, Riegle, Rockefeller, Daschle, Packwood, Dole, Danforth, Chafee, Heinz, and Durenberger.

Voting nay: Messrs. Roth, Wallop, and Armstrong.

V. BUDGETARY IMPACT OF THE BILL

In compliance with paragraph 11(a) of Rule XXVI of the Standing Rules of the Senate and with sections 308 and 403 of the Congressional Budget Act, the following statement is made relative to the budgetary impact of the bill:

The only Federal agency which has transmitted to the Committee its estimate of the budgetary impact of the bill as reported is the Congressional Budget Office (CBO). The CBO estimate is printed in this report. The Committee, in general, accepts the estimates made by CBO and adopts them as its own for purposes of the above cited requirements.

At the time of preparation of this report, the most recently agreed to concurrent resolution on the budget was the concurrent resolution on the budget for the current fiscal year (1988). The bill, as reported, has no budgetary impact with respect to that year. For fiscal year 1989, the bill, in net, provides for a reduction in budget authority and outlays both overall and in the category of direct spending authority. Consequently, the Committee anticipates that the bill will necessarily be consistent with any allocations which may be made under section 302 of the Budget Act should a concurrent resolution on the budget for fiscal year 1989 be adopted prior to the consideration by the Senate of this bill.

VI. REPORT OF THE CONGRESSIONAL BUDGET OFFICE

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, May 19, 1988.

Hon. LLOYD BENTSEN,
Chairman, Finance Committee,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for S. 1511, the Family Security Act of 1988, as ordered reported by the Senate Finance Committee on Ways and Means on April 20, 1988.

If you wish further details on this estimate, please call me or have your staff contact Jan Peskin (226–2820).

Sincerely,

JAMES L. BLUM,
Acting Director.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: S. 1511.
2. Bill title: Family Security Act of 1988.
3. Bill status: As ordered reported by the Senate Finance Committee, April 20, 1988.
4. Bill purpose: The Family Security Act of 1988 includes a number of major changes in the Child Support Enforcement and Aid to Families with Dependent Children (AFDC) programs. In Child Support Enforcement, among the major changes the bill would require states to implement immediate wage withholding for all new or modified child support orders; would make state-set guidelines for child support awards binding on judges and other officials; and would require states to meet specified targets for improving the establishment of paternity for children born to unmarried mothers. In AFDC among other changes, the bill would establish a new program of education, training, and other work-related programs in all states and would increase the federal financing share of such programs. States would be required to provide child care assistance for nine months and Medicaid for up to 12 months to families who leave AFDC because of increased earnings. Further, states would be required to make eligible for AFDC benefits families in which the principal earner is unemployed, although they could limit benefits to 6 of any 12 months.

To finance the cost of the welfare program changes, the authority for the Internal Revenue Service to withhold refunds from taxpayers who are delinquent in repaying debts owed to the federal government would be made permanent. Further, the dependent care credit would be phased out for families with adjusted gross incomes in excess of $93,750.

5. Estimated cost to the Federal Government: Over the five-year period 1989 through 1993, the Child Support Supplement (CSS) provisions would cost an estimated $2.6 billion. The financing provisions including debt collection, would save $2.8 billion. Thus, on balance over the five years, the federal deficit would be reduced by $0.2 billion. In 1993, the final year of the estimation period, the federal budget deficit would be reduced by $81 million.

These estimated costs and savings are very uncertain. As the basis of the estimate explains, many assumptions, particularly those concerning the behavior of state and local governments in reacting to the bill's changes, are critical to the estimates. While this estimate reflects CBO's best judgment of the costs and savings flowing from the bill, actual costs and savings could be higher or lower than our estimates.

[By fiscal year, in millions of dollars]

	1989	1990	1991	1992	1993
Child Support Supplement (CSS) provisions (title I–VIII):					
Direct spending:					
Estimated budget authority	62	412	1,005	935	787
Estimated outlays	62	412	1,005	935	787
Amounts subject to appropriation action:					
Estimated authorization level	29	−26	−154	−206	−239
Estimated outlays	−4	−26	−150	−193	−240
Total CSS spending:					
Estimated budget authority/estimated authorization level	91	386	851	729	548
Estimated outlays	58	386	855	742	547
Financing provisions (title IX):					
Debt collection: [1]					
Estimated budget authority	−400	−400	−400	−400	−400
Estimated outlays	−400	−400	−400	−400	−400
Revenues	17	173	188	206	228
Net budget impact—estimated increase or decrease (−) in the deficit	−359	−187	267	136	−81

[1] The debt collection provision results in reduced spending.

Most of the spending in S. 1511 is direct spending for the entitlement programs AFDC—to be renamed the Child Support Supplement program—and Medicaid. The debt collection provision, which helps to cover the costs of the welfare changes, is also direct spending. Amounts subject to appropriation action include savings in the Food Stamp program and spending for demonstration projects, studies, and interagency panels or commissions.

Basis of estimate: For purposes of the estimate, CBO has assumed enactment of the bill prior to the beginning of fiscal year 1989. The bill has nine titles, other than technical titles, which are discussed in turn. Only major provisions in each title are discussed, but Table 1 shows federal outlays for each spending provision with cost implications (see pp. 4–8).

TABLE 1.—ESTIMATED COST TO THE FEDERAL GOVERNMENT OF S. 1511 CHILD SUPPORT SUPPLEMENT PROVISIONS (TITLES I–VIII)

[Outlays, by fiscal year, in millions of dollars]

	1989	1990	1991	1992	1993	Total 1989–93
TITLE I: CHILD SUPPORT						
Mandate income withholding:						
Family Support Administration [1]			−15	−40	−60	−115
Food stamps			−5	−10	−20	−35
Medicaid			−5	−5	−10	−20
Total			−25	−55	−90	−170
Alter $50 disregard for months due (Family Support Administration)	1	1	1	1	1	5
Mandate child support guidelines:						
Family Support Administration		−20	−55	−85	−115	−275
Food stamps		−5	−10	−20	−30	−65
Medicaid		(2)	−5	−10	−15	−30
Total		−25	−70	−115	−160	−370
Require demonstrations on model procedures for reviewing child support awards (Family Support Administration)	(2)	4	4			8
Mandate increases in paternity establishment (Family Support Administration)			40	25	15	80
Reimburse laboratory costs at 90 percent (Family Support Administration)	2	2	3	4	4	15
Establish standards for response time (Family Support Administration)	(3)	(3)	(3)	(3)	(3)	(3)
Mandate ADP for most States (Family Support Administration)	2	2	7	7	7	25
Permit access to DOL INTERNET System (Family Support Administration)	(2)	(2)	(2)	(2)	(2)	(2)
Require disclosure of Social Security numbers (Family Support Administration)			(2)	(2)	(2)	(2)
Establish Commission on Interstate Enforcement (Family Support Administration)	(2)	2	(2)			2
Require monthly notification of CS amounts (Family Support Administration)					2	2
Subtotal title I:						
Family Support Administration	5	−9	−25	−88	−146	−253
Food stamps		−5	−15	−30	−50	−100
Medicaid		(2)	−10	−15	−25	−50
Total	5	−14	−40	−133	−221	−403
TITLE II: JOBS PROGRAM						
Establish JOBS:						
Family Support Administration	45	314	451	441	346	1,597
Food stamps	(2)	−5	−10	−20	−30	−65
Medicaid	(2)	−5	−10	−25	−35	−75
WIN	−12	−67	−104	−108	−113	−404
Total	33	237	327	288	168	1,053
Authorize implementation study (Family Support Administration)	(2)	(2)	(2)	(2)		2
Authorize demonstrations on cost effectiveness (Family Support Administration)	2	10	10	10	10	42
Subtotal title II:						
Family Support Administration	47	324	461	451	356	1,641
Food stamps	(2)	−5	−10	−20	−30	−65
Medicaid	(2)	−5	−10	−25	−35	−75
WIN	−12	−67	−104	−108	−113	−404
Total	35	247	337	298	178	1,097

TABLE 1.—ESTIMATED COST TO THE FEDERAL GOVERNMENT OF S. 1511 CHILD SUPPORT SUPPLEMENT PROVISIONS (TITLES I–VIII)—Continued

[Outlays, by fiscal year, in millions of dollars]

	1989	1990	1991	1992	1993	Total 1989–93
TITLE III: TRANSITIONAL ASSISTANCE						
Reimburse child care for 9 months after leave AFDC (Family Support Administration)		110	165	170	170	615
Provide Medicaid for 12 months to persons who leave AFDC due to increased earnings (Medicaid)		25	120	120	120	385
Subtotal title III:						
Family Support Administration		110	165	170	170	615
Medicaid		25	120	120	120	385
Total		135	285	290	290	1,000
TITLE IV: CHILD SUPPORT SUPPLEMENT AMENDMENTS						
Mandate Unemployed Parent Program:						
Family Support Administration			175	176	181	532
Food stamps			−50	−55	−55	−160
Medicaid			180	205	220	605
Total			305	326	346	977
Require minor parents to live with parents:						
Family Support Administration		−20	−20	−20	−20	−80
Food stamps		(2)	(2)	(2)	(2)	(2)
Medicaid		−8	−8	−9	−9	−34
Total		−28	−28	−29	−29	−114
Allow States to amend quarters of work rule:						
Family Support Administration			9	12	12	33
Food stamps			−5	−6	−6	−17
Medicaid			5	6	7	18
Total			9	12	13	34
Require evaluation of need and payment standards at least every 5 years (Family Support Administration)	(2)	(2)	(2)	(2)	(2)	(2)
Subtotal title IV:						
Family Support Administration	(2)	−20	164	168	173	485
Food stamps		(2)	−55	−61	−61	−177
Medicaid		−8	177	202	218	589
Total	(2)	−28	286	309	330	897
TITLE V: DEMONSTRATION PROJECTS						
Authorize demonstrations on shelter for homeless (Family Support Administration)	2	8	8	8	8	34
Authorize domonstrations on education and training for children (Family Support Administration)	(2)	(2)	(2)	(2)	(2)	2
Authorize demonstrations on AFDC mothers as day care workers (Family Support Administration)	(2)	1	1	1	1	4
Require demonstration projects on 100-hour rule:						
Family Support Administration			(2)	3	5	8
Food stamps			(2)	−1	−1	−2
Medicaid			1	3	5	9
Total			1	5	9	15
Authorize demonstrations on visitation (Family Support Administration)	1	6	5			12
Authorize demonstrations on child care (Family Support Administration)	1	5	5	4		15

TABLE 1.—ESTIMATED COST TO THE FEDERAL GOVERNMENT OF S. 1511 CHILD SUPPORT SUPPLEMENT PROVISIONS (TITLES I–VIII)—Continued

[Outlays, by fiscal year, in millions of dollars]

	1989	1990	1991	1992	1993	Total 1989–93
Authorize demonstrations with nonprofit community development corporations to create job opportunities (Family Support Administration)	2	7	8	6	.....	23
Authorize demonstrations on counseling and services for high-risk teenagers (Family Support Administration)	(2)	2	2	2	.....	6
Subtotal title VI:						
Family Support Administration	6	29	29	24	14	104
Food stamps			(2)	−1	−1	−2
Medicaid			1	3	5	9
Total	6	29	30	26	18	111
TITLE VI: PAYMENTS TO TERRITORIES						
Include American Samoa in AFDC (Family Support Administration)	1	1	1	1	1	5
Increase AFDC caps for territories (Family Support Administration)	11	11	11	11	11	55
Subtotal title VII (Family Support Administration)	12	12	12	12	12	60
TITLE VII: WAIVER AUTHORITY						
Authorize demonstration projects with waivers (Family Support Administration)	(2)	(2)	(2)	(2)	(2)	(2)
TITLE VIII: ADMINISTRATION						
Require early detection fraud units in AFDC:						
Family Support Administration		5	−25	−25	−25	−70
Food stamps		10	−5	−5	−5	−5
Medicaid		−10	−25	−30	−30	−95
Total		5	−55	−60	−60	−170
Total outlays by program:						
Family Support Admininistration	70	451	791	712	554	2,582
Food Stamps	(2)	0	−85	−117	−147	−349
Medicaid	(2)	2	253	255	253	763
WIN	−12	−67	−104	−108	−113	−404
Total	58	386	855	742	547	2,592
Subtotal direct spending:						
Estimated budget authority	62	412	1,005	935	787	3,201
Estimated outlays	62	412	1,005	935	787	3,201
Subtotal authorizations: [4]						
Estimated authorization level	29	−26	−154	−206	−239	−592
Estimated outlays	−4	−26	−150	−193	−240	−609
Total:						
Estimated budget authority/estimated authorization level	91	386	851	729	548	2,609
Estimated outlays	58	386	855	742	547	2,592

[1] The Family Support Administration [FSA] in the Department of Health and Human Services has the operational responsibility for both the AFDC and Child Support Enforcement Programs.

[2] $500,000 or less.

[3] Standards are to be set by the Secretary of Health and Human Services. Because the standards are not yet known, an estimate of costs or savings cannot be done at this time.

[4] Food Stamp Program changes are treated as an authorization requiring further appropriations. This is consistent with the fiscal year 1988 Budget Resolution (H. Con. Res. 93). Under the Budget Summit agreement for fiscal years 1988 and 1989, however, the Food Stamp Program is classified as mandatory (direct) spending. Other authorizations are for WIN and various demonstration projects. Authorization changes have no effect on the budget deficit unless they affect appropriations.

Income withholding.—The bill would mandate that each state implement immediate wage withholding for all new or modified child support orders for families receiving services from the Office of Child Support Enforcement (OCSE). Such immediate withholding requirements would be effective for all orders issued or modified two years after the enactment of S. 1511.

The CBO estimate for immediate wage withholding shows federal savings of $25 million in 1991, rising to $90 million in 1993. Approximately 60 percent of the savings are for increased child support collections for AFDC families and 40 percent for welfare savings due to increased collections for non-AFDC families.

CBO assumed that immediate wage withholding would increase CBO's baseline collections for AFDC and non-AFDC families by 5 percent in the first year, rising to 15 percent in the third year. These assumptions were based on data from Wisconsin on the cumulative average increases in child support collections following the implementation of immediate wage withholding in ten Wisconsin counties in 1984.

This provision would affect only new or modified child support awards. CBO estimated that collections from new or modified orders equal 65 percent of AFDC collections and 45 percent of non-AFDC collections. Both AFDC and non-AFDC collections were reduced by 15 percent to account for states that have already passed immediate wage withholding laws. Federal savings from the increased AFDC collections equal 29 percent of the new AFDC collections; this is the federal share after the $50 disregard is given to families and states receive their share of collections and incentive payments. The estimated welfare savings for federal and state governments from increased non-AFDC collections equal 20 percent of new non-AFDC collections. These welfare savings (so-called cost avoidance) include savings in AFDC, Food Stamps, and Medicaid for families who avoid receiving such assistance because of income from child support collections. These estimated welfare savings were based on a study conducted for OCSE (Advanced Sciences, Inc. and SRA Technologies, *Estimates of Cost Avoidance Attributable to Child Support Enforcement,* June 1987). Small costs were added each year for administrative expenses associated with processing the withholding orders.

Child support guidelines.—Under current law, states must establish guidelines for setting amounts of child support awards. S. 1511 would make these guidelines binding on judges and other officials unless there was good cause for not applying the guidelines. In addition, child support awards for AFDC families would have to be reviewed and modified generally every two years, beginning no later than five years after enactment; awards for non-AFDC families would generally have to be reviewed every two years at the request of either parent.

The CBO estimate for mandating child support guidelines shows federal savings of $25 million in 1990, rising to $160 million in 1993. About two-thirds of the savings are for increased child support collections for AFDC families, and the remainder are for welfare savings due to increased collections for non-AFDC families.

Increased child support collections for AFDC families were based on an estimated $600 per year increase in current collections per family, from $1400 to $2000 a year. This estimate was developed by the Department of Health and Human Services (DHHS) from information in several states that currently use guidelines. CBO estimated that 70 percent of the additional awards would actually be collected based on published Census Bureau data (*Child Support and Alimony: 1983*, Current Population Reports, Special Studies, Series P–23, No. 148, October 1986). These numbers were applied to projected new and modified orders for AFDC cases, rising from an estimated 695,000 in 1989 to 905,000 in 1993. Collections from the increased awards would build up over time as they affected more and more AFDC cases. Collections would be lost, however, as families left AFDC. CBO estimated that 73 percent, 53 percent, 43 percent, and 30 percent of the AFDC families would remain on AFDC in years one to four, respectively. These percentages were based on a study by David Ellwood and Mathematica Policy Research, Inc., for DHHS ("Targeting 'Would Be' Long-Term Recipients of AFDC," January 1986). Resulting savings were reduced by approximately one-half to allow for states that already use, or are expected to use, guidelines.

For estimates of collections from non-AFDC families, the procedures were much the same although specific parameters were often different. The estimate of increased awards—$600—was retained, but 76 percent was estimated to be collected, based on the Census Bureau data cited above. New and modified orders were projected to rise from an estimated 530,000 in 1989 to 820,000 in 1993. The reduction in savings from non-AFDC cases over time was assumed to be 95 percent in year one and 80 percent by year four. No data exist on the time non-AFDC families spend in the CSE program but it seems reasonable to assume that stays are considerably longer than for the AFDC families, whose length of stay is discussed above. Welfare savings associated with the collection of child support for non-AFDC families were estimated to be 20 percent of the added collections.

The savings estimate by CBO included only savings for families with new or modified support orders, where costs of applying the guidelines would be insignificant. The bill also would require that existing awards be modified, although not until five years after enactment for AFDC families and only at the request of either parent for non-AFDC families. For non-AFDC cases, these modifications probably would increase costs because associated court costs are high. For AFDC cases, the potential would exist for greater savings. One study in New Jersey found significant savings from updating existing AFDC orders. On the other hand, some experts in the area of child support believe that states would not have the resources to alter existing orders on any significant scale without reducing other services. For purposes of this estimate, CBO assumed that any savings from modifying existing orders for AFDC families would be offset by costs for non-AFDC families.

Paternity establishment.—Another provision of the bill would require that states have a paternity establishment ratio of at least 50 percent or increase their paternity establishment ratio by 3 percent a year starting in 1991. The paternity establishment ratio is de-

fined as the number of children born out of wedlock to mothers using child support services and whose paternity has been established divided by the total number of children born out of wedlock to mothers using child support services.

CBO's estimated cost of mandating increases in paternity establishments declines from $40 million in 1991 to $15 million in 1993. CBO assumed that states would not meet the 50 percent paternity ratio during the projecton period and, to comply with the law, would have to increase their paternity establishment ratio by three percent a year. CBO estimated that approximately 116,000 additional paternity establishments a year would fulfill the 3 percent ratio increase requirement.

Based on preliminary state-reported costs for 1987 and adjusting for inflation, each additional paternity determination was estimated to cost $500 in 1991, rising to $540 in 1993. Average child support collections were assumed to be $900 per year for half the paternities established, with collections beginning one year after costs were incurred, and continuing for several years. Collection assumptions were based on information from state and local agencies and on a study by Edward Young (*Costs and Benefits of Paternity Establishment,* The Center for Health and Social Services Research, February 1985). CBO estimated that 85 percent of the new collections would be for AFDC cases and 15 percent for non-AFDC cases, following the relative numbers of AFDC and non-AFDC paternity determinations reported in 1986.

Automatic data processing.—Another provision would require most states to install an automatic data processing and information retrieval system (ADP). States would have to submit initial planning documents by October 1, 1990 and would have to have their systems completed by the date specified in the document, but no later than October 1, 2000. If a state could demonstrate to the Secretary that it had an alternative system that would substantially comply with the statutory requirements for ADP systems, it would be exempt from this requirement. Development of such systems is optional under current law. CBO estimates that over the five-year projection period federal expenditures for this provision would be $25 million. The Administration has identified fourteen states that are not developing state-wide ADP systems that meet the applicable statutory and regulatory requirements for 90 percent funding. CBO assumed that only one of these states, California, would be eligible for the exemption from developing a statewide ADP system. According to CBO assumptions, all states that would implement ADP systems would have them operational five years after the initial planning documents were due. Most of the cost for these systems would fall evenly over the five-year period after the planning documents had been submitted. The cost for acquiring systems in these states was estimated by extrapolating from the costs for completed systems. The federal government would pay 90 percent of these costs. Increases in costs due to inflation were assumed to be offset by savings as a result of adaptations of systems from other states.

TITLE II—JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAM (JOBS)

S. 1511 would establish a new work-related program for AFDC recipients, to be operated by state welfare agencies, and would repeal the Work Incentive Program (WIN). Non-exempt recipients, including those with children aged three or older (one or older at state option) would be required to participate in a work program as state resources permitted. States could offer a wide range of work-related activities, including training, various educational programs, Community Work Experience programs (CWEP), and job search. Prior to participation in a work program, assessment of participant skills would be required. At state option, employability plans could be developed for participants and written agreements between the state agencies and clients could be required.

Funding for these work-related programs would be provided under a capped entitlement, with federal dollars limited to $500 million in fiscal year 1989, $650 million in 1990, $800 million in 1991, and $1 billion a year thereafter. Spending on child care for JOBS participants, however, would be excluded from the cap. Funds under the cap would be allocated to states in amounts equal to their 1987 WIN allotment for the first $126 million of federal spending. Additional funds would be allocated on the basis of each state's relative number of adult AFDC recipients.

The federal and state shares of total spending would differ by type of spending. For total spending based on the 1987 WIN allocation, the federal share would be 90 percent, and the state share 10 percent. For additional amounts of spending on jobs programs, the federal share would be at the Medicaid matching rate with a floor of 60 percent. However, for administrative costs of jobs programs, the federal share would be 50 percent (other than for costs of staff who worked full time on JOBS for which the federal share would be at the Medicaid matching rate). The federal share of child care spending would be at the Medicaid matching rate. The federal share would be reduced to 50 percent if states failed to spend at least 50 percent of their funds on certain target groups: parents under 24 who have not completed high school or who have little recent work experience and recipients or applicants who have received AFDC for any 30 of the preceding 60 months.

States would have to have an operational program no later than October 1, 1990. If states chose, however, they could take part in the program after regulations were proposed. CBO has assumed that 12.5 percent of state work-related spending would be covered under JOBS in 1989 and 67 percent would be covered in 1990.

Table 2 summarizes the effects of JOBS, as estimated by CBO. Federal costs would rise from $38 million in 1989 to $343 million in 1993 while savings would rise from $5 million to $175 million in 1989 to 1993, respectively. Net costs would rise to $327 million in 1991 and then fall gradually as savings continued to build up over time. State costs would decline and welfare savings increase, so that over the 1989 to 1993 period, states would have net savings of $478 million. Total net costs would rise to $219 million in 1991, then fall fairly rapidly, and turn into small net savings by 1993.

TABLE 2.—ESTIMATED EFFECTS OF JOBS

	1989	1990	1991	1992	1993	Total 1989–93
	[By fiscal year, in millions of dollars]					
Federal costs	38	262	392	413	343	1,448
Federal savings	−5	−25	−65	−125	−175	−395
Net Federal costs	33	237	327	288	168	1,053
State costs	−5	−38	−63	−68	−54	−228
State savings	([1])	−10	−45	−80	−115	−250
Net State savings	−5	−48	−108	−148	−169	−478
Total costs	33	224	329	345	289	1,220
Total savings	−5	−35	−110	−205	−290	−645
Net total costs	28	189	219	140	−1	575
	[By fiscal year, in thousands]					
Number of additional participants in Work Programs [2]	15	90	125	130	105	465
Number of families off of AFDC as a result of JOBS	([3])	5	10	10	10	35

[1] Less than $500,000.
[2] These are participants in work programs due to JOBS, and are additions to participants in work programs under current-law spending levels.
[3] Less than 500 families.

The additional spending on work programs under JOBS would permit 15,000 more AFDC recipients to be put through work programs in 1989 and more than 100,000 a year additional recipients to participate when the program was fully implemented (see Table 2). As a result of their participation in the work programs, an estimated 35,000 families would leave AFDC by 1993.

These estimates are complex and uncertain in a number of respects. The major uncertainties are noted in the discussion that follows. The basis of the estimates of costs is discussed first, followed by a description of the methodology used in estimating savings.

Estimated costs of JOBS follow from the increase in the federal share of spending on work-related programs. The federal share (on other than WIN-replacement spending) would be an estimated average 59 percent, compared to 50 percent under current law for work program expenses covered under AFDC and zero for expenses for education and training. CBO estimated what spending on AFDC work-related programs will be under current law. Given this spending, the increased federal share would result in savings to state and local governments. The question is to what extent states would use these savings to increase spending on JOBS as opposed to other uses. The more of these savings states would put into JOBS, the greater would be total and federal costs. Under the bill's language, states would have to maintain their spending at fiscal year 1987 levels. For remaining spending, CBO assumed that states would put one-half of their savings from the increased federal share back into the JOBS program. One-half is obviously a midpoint between the extremes of putting all or none of their savings back into JOBS. Moreover, it is consistent with the findings of a recent study on how states reacted to change in federal match rates on AFDC benefit levels (Edward M. Gramlich and Deborah S. Laren, "Migra-

tion and Income Redistribution Responsibilities," *The Journal of Human Resources,* Fall 1984).

Costs of the JOBS program are obviously quite sensitive to states' behavior. Federal costs (excluding any welfare savings) over the 1989 to 1993 period would be $1.1 billion if the states put none of their savings back into JOBS other than what the maintenance of effort provision required, $1.4 billion if they put one-half back as CBO assumed, and $1.8 billion if they put all of their savings back. Total costs (federal plus state) would vary even more depending on states' reactions: $0.7 billion if no savings were put back into JOBS, $1.2 billion if one-half were put back, and $1.8 billion if all were put back. In the first case, states would save $0.4 billion and in the second $0.2 billion. Net costs (costs after welfare savings) would not be as sensitive because the more total spending would increase, the higher welfare savings would be, offsetting some of the higher costs.

While the JOBS program would provide federal funds up to the entitlement caps noted earlier, CBO's estimated spending falls below those caps in every year. The estimated percentage of the capped amount that would be spent rises to around 80 percent in 1990 and 1991 and then declines to around 60 percent by 1993. The cap would constrain spending, however, because some states would receive less under the allocation formula applied to the entitlement caps than they would have received under an open-ended entitlement. Based on CBO's estimates of current-law spending (before any increases in spending resulting from the bill's effects), the allocation formula would reduce federal funds available to certain states by about $450 million over the 1989–1993 period, primarily in 1990 and 1991. An estimated 80 percent of the reduced state funds would be California's, although the state would probably lose no funds after 1992. California is running the largest AFDC work program in the country—Greater Avenues for Independence (GAIN)—for which spending in their fiscal year 1988–89 is estimated to total $408 million.

The estimated rise in total spending on work programs, after several adjustments, was then used to determine the number of new participants in work programs as a result of JOBS, which in turn helps to determine any savings in welfare resulting from that participation. The first adjustment was to reduce total spending available for placing participants in work programs by spending on assessments of participants. Based on data from California's GAIN program, CBO estimated that the cost of an assessment would be $225 per participant, or about $75 million to $95 million a year in the aggregate. Available spending was further reduced by about $35 million a year for child care for families with children uder the age of six and for other work expenses. Child care for families with older children and transportation costs were included in the base cost of work programs discussed below.

To estimate the number of new participants in work programs, available spending was divided by an estimated cost per work program participant. The cost per participant was estimated to be about $1390 in 1989 and $1705 in 1993, as shown in Table 3. This average cost was based on estimated costs of an education and training program and of other types of work programs, such as job

search or CWEP. For purposes of the estimate, CBO assumed that one-third of participants would be in education and training programs and that two-thirds would be in other work programs. The percentage in education and training is somewhat higher than under current law because spending on education and training is not matched currently in the AFDC program.

TABLE 3.—ESTIMATED TOTAL COSTS PER JOBS PARTICIPANT [1]

[By fiscal year, in dollars]

	1989	1990	1991	1992	1993
Education and Training Programs	2,500	2,635	2,775	2,920	3,075
Other Work Programs	840	885	930	980	1,030
Average cost [2]	1,390	1,465	1,540	1,620	1,705

[1] These costs do not include costs of assessments or extra child care for young children.
[2] Average costs assume 33 percent of participants would be in education and training and 67 percent would be in other work programs.

The basis of the estimated per participant costs for other work programs shown in Table 3 was published studies by the Manpower Demonstration Research Corporation (MDRC) of findings on AFDC work programs in selected states. These studies, which included both costs and savings, were based on an experimental design that compared persons assigned to work programs ("experimentals") with persons not in work programs ("controls"), permitting valid findings of the effects of the work programs. Final studies are available for programs in six states, or protions of states: Arkansas, California, Illinois, Maryland, Virginia, and West Virginia. CBO estimates were based on unweighted averages of costs or savings in five states, excluding West Virginia. West Virginia was excluded because its work program—participation in CWEP for a person's length of stay on AFDC—is not representative of the programs most other states provide; in addition, the unusually high unemployment rate in the state makes program savings unrepresentative. The MDRC findings on costs were adjusted in several ways. Most importantly, they were approximately doubled to convert them from costs per experimental to costs per participant. Based on the MDRC studies, it appeared that about one-half of experimentals were never placed in work programs. In addition, a small amount was added for registration costs (because the "control" group usually included such registration costs), and the estimates were adjusted for increases in prices or wages by the implicit GNP deflator for state and local purchases.

Estimated costs of education and training programs shown in Table 3 were based on an average of costs in three programs: the federal Job Training Partnership Act program (using costs for AFDC participants); the education and training portions of the Massachusetts Employment and Training (ET) Choices program for AFDC recipients; and the training portion of the Maryland AFDC program, as reported by MDRC.

As participants in work programs find jobs, are sanctioned (i.e., removed from AFDC for failing to participate in the work program), or leave the program rather than participate, savings accrue in welfare programs. Because savings for a single participant can continue for a period of years, aggregate savings for all partici-

pants build up over time. How fast they build up depends on assumptions made about the "decay" of savings, that is, about whether and how fast participants lose jobs or return to AFDC for other reasons. The CBO estimates assumed a decay rate of 15 percent a year, beginning in the fifth year after participation in the work program. Savings in the first four years were reported in several MDRC studies and any decay was already incorporated in them.

The CBO estimates included savings in AFDC benefits and administration, in Food Stamps, and in Medicaid benefits and administration. Unlike the MDRC studies, no savings were shown for increased revenues—income tax or Social Security tax—because these work-related programs would probably not result in the creation of any new jobs.

Savings per participant (federal and state) are shown in Table 4. As with costs, they were based on the MDRC findings. For AFDC and Food Stamp benefits, savings per experimental were reported in the MDRC studies. These numbers were approximately doubled to adjust from per experimental to per participant (as discussed above for costs), and inflated over time by the rate of increase in average benefit levels in the two programs. Another adjustment was made to deal with estimating savings for education and training programs. The state programs studied by MDRC included virtually no education and training. There are, in fact, no pertinent studies of the effects of education and training programs on welfare benefits. Because CBO did not want to influence comparisons of different bills with different mixes of training and other work programs in the absence of any valid data, it was assumed that savings per dollar spent on work programs would be kept the same for training, education, and other work programs. Thus, to estimate savings for education and training programs, reported savings for other work programs were increased by three (the ratio of per participant costs for education and training programs to costs for other work programs).

TABLE 4.—ESTIMATED TOTAL SAVINGS PER JOBS PARTICIPANT [1]

[By fiscal year, in dollars]

	1989	1990	1991	1992	1993
AFDC Benefits	320	330	345	355	370
AFDC Administration	45	45	45	45	50
Food Stamp Benefits	65	70	70	75	80
Medicaid	100	110	120	130	140

[1] Savings are for the fourth year after participation. Savings in the first through third years after participation are usually higher.

Estimated savings for AFDC administration and for Medicaid were based in part on the MDRC findings. MDRC reported the percentages of experimentals who left AFDC: 2.3 percent in the first year after participation, 3.1 percent in the second year, 2.8 percent in the third year, and 2.4 percent in the fourth year. Adjusted as above by approximately doubling and inflating for the share in education and training, the CBO estimate was 6.7 percent, 9.0 percent, 8.1 percent, and 7.2 percent in years one to four, respectively. For each family off of AFDC—a small proportion of participants—administrative savings were calculated to be $620 in 1989 and $660

in 1993. Also, for 65 percent of the families off of AFDC for about a year or longer, Medicaid savings would accrue. For those families who would lose Medicaid, annual savings (federal and state) were estimated to be $2120 in 1989 and $2970 in 1993. Aggregate federal savings for AFDC, Medicaid, and the Food Stamp program are shown in Table 1.

TITLE III—TRANSITIONAL ASSISTANCE

Child care.—The bill would require states to provide child care assistance for nine months to families who leave AFDC because of increased earnings. States would determine the payment levels and funding mechanisms for providing such assistance. They would also set schedules for co-payments, based upon the family's ability to pay. The transitional child care program would begin in fiscal year 1990, with estimated costs of $110 million. Federal costs are estimated to rise to $170 million in 1993.

The 1993 child care estimate was the product of: 650,000 eligible children, a 36 percent participation rate, average costs of $137 per month for nine months, and an average 55 percent federal match rate. Also, $10 million was added to this product, reflecting the costs of transitional child care assistance for graduates of work and training programs. Key elements of the estimate are summarized in Table 5 and discussed below.

TABLE 5.—BASIS OF CHILD CARE TRANSITION ESTIMATE (1993)

	Children under age 6	Children aged 6–14	Total children
Eligible children	260,000	390,000	650,000
Participation rate (in percent)	68	16	36
Monthly costs (in dollars)	$149	$105	$137
Annual Federal costs (in millions of dollars) [1]	$130	$30	$160

[1] Federal costs are based on 9 months of care at a 55-percent Federal match rate. In addition to these costs, another $10 million is included for families leaving AFDC after participation in the JOBS program.

Eligibility would be restricted to families leaving the AFDC program because of increased earnings or a loss of earnings disregards. Although many families exiting AFDC have some earnings, the principal reason for leaving welfare is often the marriage of the female-head, or another change in family composition. One study estimated that 20 percent to 40 percent of the families exiting AFDC left because of increased family earnings (David Ellwood, "Working Off of Welfare: Prospects and Policies for Self Sufficiency of Women Heading Families," Institute for Research on Poverty, Discussion Paper No. 803–86, March 1986).

Based on this research and on AFDC program statistics, CBO estimated that one-fourth of the 1.9 million families leaving AFDC annually exited because of increased earnings or a loss of the earnings disregards. The estimate of families eligible for transitional child care assistance was reduced because some families return to AFDC shortly after exiting. The estimate was further reduced because families are limited to nine months of transitional care in a three-year period. After these adjustments, a total of 388,000 fami-

lies were estimated eligible for transitional child care in 1993. These families were estimated to have an average of 1.68 children under age 15, or a total of 650,000 children. Children ages 15 to 18 were assumed to use an insignificant amount of child care.

Of the 650,000 eligible children, 40 percent were estimated to be children under age 6 with greater child care needs than school-age children. AFDC caseload statistics report a higher percentage of children under age 6, but CBO assumed that families working off of AFDC have fewer young children than families remaining on AFDC.

The estimate assumed a 36 percent participation rate in 1993. That is, only 36 percent of the eligible children were estimated to receive government-paid child care assistance, with the remaining 64 percent assumed to be in informal and unpaid child care arrangements. Many more children under age 6 were estimated to be in paid care arrangements (68 percent) than children aged 6 to 14 (16 percent). These estimates were based on CBO analysis of data in three Census Bureau studies of child care arrangements of working mothers ("Who's Minding the Kids: Winter 1984–85," Series P–70, No. 9; "After-School Care of School-Age Children: December 1984," Series P–23, No. 149; and "Child Care Arrangements of Working Mothers: June 1982," Series P–23, No. 129).

The CBO analysis focused on child care arrangements of single mothers. Over half (54 percent) of the children under age 6 were cared for by non-relatives, with a significant proportion (40 percent) cared for by relatives, and only a few (6 percent) cared for by parents, siblings, self, or school. This pattern of arrangements led to an estimate of 65 percent in paid care, because most of the non-relative care and slightly under half of the relative care were paid child care arrangements. In contrast, less than one-fourth of the children aged 6 through 14 were cared for by non-relatives or relatives (11 percent and 12 percent, respectively), with the remainder (77 percent) cared for by siblings, parents, self, or school. This pattern of arrangements led to an estimate of only 15 percent in paid care, again because most non-relatives and less than half of the relatives were paid. Overall, 35 percent of children were estimated to be in paid child care, with this percentage estimated to rise to 36 percent in 1993, because of historical trends toward greater use of centers and other more formal child care arrangements.

Basing the participation rate for transitional child care assistance on current patterns of paid and unpaid child care arrangements could underestimate costs to the extent that the existence of new subsidies would cause an increase in the demand for paid care. However, there is little evidence of such a shift in states currently offering subsidies. On the other hand, this participation rate could overestimate costs to the extent that families with paid child care costs would not apply for government assistance.

Monthly costs were estimated to average $137 per month in 1993, or $149 for the 176,000 participating children under age 6, and $105 for the 61,000 participating children aged 6 to 14. These costs were based on 1988 costs of $119 and $84, respectively, adjusted for a 4.5 percent annual inflation rate. Costs for the younger children in 1988 include child care costs of $171, less a family co-payment of

$52. Costs for older children include child care costs of $116, less a family co-payment of $32.

Estimated child care costs are lower than commonly quoted market rates of $200 to $300 per month because of the effects of below-market-rate care and state-set maximum reimbursements. Median child care expenditures were only $169 monthly for all women and $158 for single women during the winter of 1984–85, based on Census Bureau date for employed mothers paying non-zero amounts for care for one child under age 15 ("Who's Minding the Kids," op. cit.) This level is below quoted market rates because child care encompasses many types of care, including part-time care, care in subsidized settings, are in family day care homes (many of which are unlicensed and not included in surveys of market rates), and care by relatives (who are generally paid less than other providers).

These data were combined with state estimates of child care costs in four work/welfare programs and a CBO estimate of average costs under existing state programs for subsidized child care. State work program data was adjusted considerably because three of the states (California, Massachusetts, and New York) pay much higher than average rates for subsidized child care, and the fourth state (Michigan) pays lower than average costs. Average rates for existing subsidized child care were calculated from the Children's Defense Fund's compilation of state maximum rates for preschool care. These maximums ranged in 1987 from $95 per month for family day care homes in Alabama to $396 per month for centers in California. States were assumed to limit payments for transitional child care to the same maximums as existing subsidized care programs, even though these maximums are sometimes below local market rates.

These various data sources were averaged to estimate 1988 costs of $171 monthly for children under age 6, before deducting the family co-payment. School-age costs were estimated as $116 monthly, or about two-thirds of the costs for preschool care. Cost differences among school-age, infant and preschool care were based on a California survey of licensed care costs by age group. School-age costs assumed nine months of part-time care (20 hours per week) and three months of full-time care.

Monthly co-payments were estimated as averaging $52 for children under age 6 and $32 for children aged 6 through 14. Scarcity of earnings and income data for former AFDC recipients, and variations in state schedules for co-payments make these estimates quite uncertain.

The family's estimated ability to pay was based on earnings information from the Ellwood research cited above, wage rates from AFDC employment programs as reported by the General Accounting Office, an adjustment for the estimated relationship between earnings and income, and state-by-state estimates of income levels at which AFDC eligibility ends. These data were used to form an income distribution with mean earnings of $750 monthly and mean income of $970 monthly.

State schedules for co-payments were assumed to follow existing sliding-fee scales for child care assistance. Schedules collected from a dozen states varied dramatically, with monthly co-payments for a

family of three with a $970 monthly income and one child in care varying from no cost in California and the District of Columbia, to $41 to Maryland, $81 in Kentucky, $103 in Oklahoma, and full cost in Alabama. CBO estimated that on average co-payments were slightly over 5 percent of family income, rising from 1 percent when family income is under $600 monthly to 9 percent when family income is over $1400 monthly. State policies regarding the cost of a second child in care varied from no additional cost to full cost. CBO estimated that co-payments for a second child in care would average half as much as for the first child.

Medicaid.—The bill would provide Medicaid for up to 12 months to families who left AFDC because of increased earnings or a loss of earnings disregards. The first 6 months of Medicaid benefits would be without a charge to recipients but the second 6 months would be subject to a mandatory premium paid by recipients and set by states. Recipients with incomes below the poverty threshold could not be charged a premium; those with incomes above the poverty threshold would be charged a premium no higher than three percent of their gross incomes. This provision is estimated to cost $25 million in 1990 and $120 million in 1993.

CBO's estimate was calculated in two steps. The costs of providing the additional Medicaid—the basic benefits—were estimated first, ignoring the effects of any premiums. Then the effects of premiums on revenues and participation were estimated. Each step is discussed in turn.

CBO estimated that the number of families who would receive the extended Medicaid after leaving AFDC would be about 425,000 to 475,000 each year beginning in 1991. As discussed above some 1.9 million families leave AFDC each year (not counting those families who leave because their youngest child is too old to be eligible for AFDC), and CBO estimated that 25 percent of these families would leave AFDC because of increased earnings or loss of the earnings disregards (as discussed above), making them eligible for the transition benefits. This estimate was increased by the number of families who were estimated to leave AFDC because of the bill's work and training program and by the number of new two-parent families leaving AFDC each year with the bill's mandating of the AFDC-Unemployed Parent program in all states. Some of the families who would receive transition benefits would have received Medicaid anyway under medically needy or other current-law extensions of eligibility.

Medicaid costs for these families would depend on whether they had private health insurance through their jobs or from some other source. Based on data from the Current Population Survey—a household survey of the Bureau of the Census—CBO estimated that 55 percent of the families leaving AFDC because of increased earnings would have access to health insurance. Data do not exist on Medicaid costs for those with private health insurance. CBO assumed that 85 percent of these families would retain Medicaid (at least until the premium was due) and that their Medicaid costs would be one-third of "full" costs. Medicaid costs per family (for those without health insurance) were estimated to be $2120 in 1989 and $2970 in 1993. Because the adult in these families would be working, and presumably healthy, CBO has assumed that the fami-

ly's Medicaid costs would be only 80 percent of average Medicaid costs, based on discussions with health experts. Costs were reduced to account for recidivism and limitation of coverage to 12 months in any 36-month period.

Current-law Medicaid costs for families leaving AFDC were subtracted from the costs of the Medicaid extensions. Under current law, those who leave because their hours of work or their earnings increase receive Medicaid for four months. Those who leave because they lose the $30 and one-third earnings disregard after they have worked for 4 or 12 months receive Medicaid for 9 months and at state option for another 6 months. Further, some families qualify for Medicaid under medically-needy provisions. For purposes of this estimate, CBO calculated that 35 percent would qualify for medically-needy benefits after their regular Medicaid benefits were exhausted. Current-law costs were increased slightly to account for legislation in recent years that extended Medicaid to low-income pregnant women and young children, and were reduced to allow for recidivism. Federal costs of the basic benefits before any premium offsets are estimated to rise from $35 million in 1990 to $145 million in 1993.

Estimated premium collections rest on two basic assumptions: the levels at which premiums would be set by the states and the participation rates of families who would be required to pay the premiums. Almost 40 percent of eligible families would have the premium waived because of the legislated exemption for those whose gross incomes would be below the poverty level. For the remaining 60 percent whose gross incomes would be above the poverty level, states would have to collect a premium of no more than 3 percent of gross income from participants during the 7th through the 12th month of the benefit extension period.

Incomes of families after stays on AFDC were estimated as discussed above for transitional child care assistance. The total amount of premium revenue was estimated to amount to about two-thirds of the maximum allowable (for those willing to pay) if all states applied the 3 percent formula for setting premiums. The resulting monthly premiums would start at about $18 per month and would rarely exceed $60 per month. The amount that CBO estimated would be collected would offset less than 10 percent of the total costs incurred for medical care for those participating. In the aggregate, premiums to the Medicaid program are estimated to total $5 million per year from 1991 through 1993.

In addition to generating revenues, premiums are likely to deter some eligible families from acquiring this extended Medicaid benefit. Those who would choose not to pay the premium would lose eligibility and generate no program costs. This effect was calculated separately for those with health insurance and those without health insurance, since it is reasonable to assume very different behavior in these two groups.

There is little evidence on this question, and CBO assumed that of those without health insurance who are charged a premium for the extension, about 60 percent would choose to pay the premium. For those with health insurance who are charged a premium, CBO assumed that only about 10 percent would pay the premium, in part because Medicaid benefits would probably not be significantly

better than most of the health insurance policies to which it would be secondary payer. Further, CBO assumed that those families who chose to pay the premium would have higher medical care costs on average than those who chose not to pay the premium. Reduced federal costs from lower participation as a result of the premium are estimated at $5 million in 1991 and $25 million in 1993.

TITLE IV—CHILD SUPPORT SUPPLEMENT AMENDMENTS

AFDC-Unemployed parents (UP).—The major provision in this title would require all states to provide AFDC benefits to two-parent families where the principal earner is unemployed, effective October 1, 1990. At the present time, 23 states do not provide such benefits.

States would be given the options to limit cash assistance to a period of no less than 6 months in any 12-month period; to require participation in work-related activities by one or both adults; and to pay benefits only after performance in the work-related activity. If a state were to limit the length of AFDC assistance, it would be required to provide Medicaid for all children up to age 18 as long as the family was otherwise eligible for assistance; currently, children through age 6 are covered. At state option, adult family members could be covered.

CBO estimates that this provision would bring 65,000 additional two-parent families onto AFDC. Costs are estimated to rise from $305 million in 1991 to $346 million in 1993, including resulting Medicaid costs and Food Stamp savings.

For purposes of the estimate, CBO assumed that all of the states that do not currently have an AFDC-UP program would limit benefits to six months, but that no states with a current AFDC-UP program would do so. The estimate was based on simulations from the 1985 TRIM model, developed by the Urban Institute. The model is based on data from the Current Population Survey (CPS), and compares legislative changes to AFDC current law. After adjustments to the model's findings, 130,000 families were estimated to be newly eligible for AFDC. Two adjustments were made. The first reduced estimated eligibles by 22 percent, which equals the decline in the existing AFDC-UP caseload between 1985 and 1991. The second raised estimated eligibles by 48 percent to allow for an increase in the TRIM model's estimates of mandating AFDC-UP between the 1985 and 1986 versions of the model. Of the eligible families, CBO estimated that 55 percent would participate—a participation rate slightly below that in states that currently have an AFDC-UP program. Average monthly benefits from TRIM were increased based on benefit increases in CBO's baseline. To these increased benefit costs, CBO added AFDC administrative costs for the new families, averaging $645 per family in 1991 and $660 in 1993.

For the work-related options given to states, CBO estimated savings of $10 million in 1991 and $25 million a year thereafter, and a decline in participants of around 5,000 a year. These savings were based on a rough rule of thumb that one-third of the newly-mandated states would adopt these options. Gross savings from the options were estimated to be 30 percent of the costs of mandating AFDC-UP, based on a 1987 evaluation of a similar program in the

State of Utah (Frederick V. Janzen et al., The Social Research Institute, University of Utah, *Emergency Welfare Work and Employment: An Independent Evaluation of Utah's Emergency Work Program, Final Report,* June 1987). Estimated costs of work-related programs were subtracted from these gross savings to provide an estimate of net savings.

The cost in Medicaid of extending benefits to older children after the family was removed from AFDC due to the six-month limit would be an estimated $5 million in 1991 and $25 million a year in 1992 and 1993. By 1993, 45,000 children were estimated to be affected. Per capita Medicaid costs for these children were estimated to be around $495 in 1993, a lower cost than for all children because health care costs of older children are lower. Costs for including adults, a state option, were estimated to be less than $5 million a year.

Minor parents.—S. 1511 would provide that an unmarried minor parent would have to live with a parent, legal guardian, or under other adult supervision in order to receive AFDC. Estimated savings in AFDC and Medicaid are $28 million or $29 million each year. CBO estimated that of the approximately 50,000 minor parents receiving AFDC in any month, 15,000 would be affected by this provision. .The counting of the grandparents' income would reduce AFDC benefits to most of these affected minor parents and remove the remainder from AFDC.

TITLE V—DEMONSTRATION PROJECTS

Title V of S. 1511 would provide for a number of specified demonstration projects. The estimated costs of each project are shown in Table 1. Together, the projects would cost $6 million in 1989 and $18 million in 1993. All but one of the demonstrations would require appropriation action. Outlays were estimated using the spend-out rate for existing AFDC demonstration projects: 20 percent in year 1, 78 percent in year 2, and 2 percent in year 3.

TITLE VI—PAYMENTS TO TERRITORIES

This title would extend AFDC and other programs to American Samoa, providing up to $1 million a year at a federal match rate of 75 percent. Also, the limits on existing payments to Puerto Rico, Guam, and the Virgin Islands would be increased by $11 million a year.

TITLE VII—WAIVER AUTHORITY

This title would provide broad waiver authority that would allow states to operate demonstration projects affecting a number of welfare programs. The Secretary of DHHS would have to approve each state's application. No more than 50 demonstrations could be conducted at any one time. Funding of the demonstration projects would not require any significant increase in federal funds.

TITLE VIII—ADMINISTRATION

Fraud units.—S. 1511 would require states to set up fraud units to reveiw eligibility at the time of a family's application for AFDC benefits. This provision is estimated to cost $5 million in 1990 but

to save thereafter—an estimated $60 million in 1993. The provision costs money in 1990 because savings, based on families applying for AFDC over the course of a year, are for an average half year while costs are at a full-year rate.

The magnitude of any savings from these pre-eligibility fraud detection programs is very uncertain. No studies exist that compare applicant denials or withdrawals after applications are referred to the fraud units with what these denials or withdrawals would have been in the absence of the fraud units, that is, with that the eligibility workers would have detected on their own. Moreover, studies of these pre-eligibility fraud units have found very different benefit to cost ratios: around 4.5 in 1 in Florida and from 17 to 34 to 1 in California. In general, CBO based its estimate on savings and costs of the Fraud Early Detection/Prevention (FRED) program in effect in about 23 California counties. Data for Orange County, California, were the most extensive and they were generally used with adjustments based on data from the other 22 California counties with FRED (Department of Social Services, California, "Legislative Report on the Early Fraud Prevention/Detection Program," February 5, 1986 and March 15, 1988; Arthur Young, *Report on the Financial Impact of the Orange County Early Welfare Fraud Detection/Prevention Program,* December 1984). Reported savings and costs of FRED were then adjusted for a veriety of factors.

The estimate of costs started with reported costs of the FRED program in Orange County, California, in fiscal year 1983–1984, increased them to U.S. totals and then to 1990 price levels by CBO projections of the implicit price deflator for state and local purchases. Orange County costs were reduced by 25 percent to allow for the fact that Orange County referred a higher proportion of applications to the fraud unit than other California counties did, and by another 8 percent to remove costs of cases that received only Food Stamps. Costs were then allocated between the AFDC and Food Stamp programs by the share of AFDC to Food Stamp fraud referrals based on data for the 23 California counties. The federal share of costs in the Food Stamp program is 75 percent and in AFDC is estimated to be 62.5 percent (one-half of spending at a 50 percent federal share and one-half at a 75 percent federal share).

Gross savings were based on an estimated reduction in the AFDC caseload of 25,000 families as a result of this legislation. This estimate was developed as follows. Orange County in 1983 had a rate of fraud detection as a percent of its caseload 5.2 percentage points above other California counties that had adopted FRED.[1] This number was reduced to 2.6 precentage points because the pre-eligibility fraud units in other California counties and in Florida were less active. The California counties had a ratio of fraud unit referrals to applications only 75 precent of Orange County's, and had a ratio of denials/withdrawals to referrals of only 67 percent of Orange County's. The number was then cut in half to allow for the assumption that a number of the denials due to fraud would have taken place anyway—because the eligibility workers would have denied them, because some applicants would withdraw on their

[1] While we use the term fraud detection following the California studies, some of the cases may not represent fraud in any criminal sense.

own, and because some families would probably reapply. In addition, studies of the FRED program show a successful reapplication rate among families originally denied benefits by the fraud units of 17 percent, and the number was reduced for this effect.

Both savings and costs were reduced by 25 percent to allow for states and counties that already have or would have a program. This estimate assumed that the California legislature would adopt the program that it is currently considering. Savings and costs were reduced further to exclude all of the AFDC caseload in rural areas and one-half of the caseload in urban counties not in SMSA's because officials of fraud units believed that the program would not be cost effective for small welfare offices.

Savings for the 25,000 families off of AFDC were based on an assumed 12 months of AFDC receipt. The 12 months coincides with the mandatory face-to-face recertification period in AFDC, but is less than the average number of months a family typically receives AFDC. Typical Medicaid savings for a family losing AFDC were reduced by 25 percent on the assumption that some of the families might qualify for Medicaid as non-AFDC families or have private health insurance, which would reduce their health care costs. Food stamp savings were based on an estimated 80 percent of the families' losing AFDC also losing food stamps.

TITLE IX—TAX PROVISIONS

IRS refund offset. S. 1511 would extend permanently the authorization for the Internal Revenue Service (IRS) refund offset program. This program allows the IRS to withhold refunds from taxpayers who are delinquent in repaying debts owed to the federal government. However, under current law the program will expire on July 1, 1988. Reauthorizing this program would allow the government to recover amounts that otherwise would go uncollected, saving an estimated $400 million a year. These amounts are counted on the spending side of the budget, either as offsetting collections or offsetting receipts.

Because the IRS refund offset is only a pilot program, historical data for estimating receipts are limited. This estimate of $400 million in collections is based on a number of assumptions. In the first two years of the program (calendar years 1986 and 1987), the IRS collected $200 million and $325 million, respectively. We expect collections for fiscal year 1988 to be even higher because collections for this year (as of May 6, 1988) are already about $270 million, slightly more than at the same point in 1987. In addition, refund offsets for Department of Education loans, which historically have accounted for at least half of the total offsets, are estimated to be close to $200 million in 1988. Thus, we expect total collections to approach $400 million in 1988. Estimates for future years are uncertain. For some loan programs, refund offests are expected to decline as the pool of uncollected delinquent debt is exhausted. In other loan programs, however, the amount of delinquent debt is expected to continue rising, thereby assuring expanded use of the refund offset. Reflecting these opposing trends, CBO has estimated that collections will remain about $400 million a year throughout the 1989–1993 period.

Revenue provisions.—Title IX also inlcudes two revenue provisions. The first would phase out the dependent care credit by one percentage point for each $1,250 by which the taxpayer's adjusted gross income (AGI) exceeds $70,000. The phase-out would have the effect of eliminating the credit when the taxpayer's AGI exceeds $93,750. The revenue effects of the phase-out are based on historical information from the IRS about the number of taxpayers claiming this credit, the incomes and other tax-related characteristics of these taxpayers, and the amount of credits they claim. These factors are projected to future years using assumptions about income growth, labor market increases, and tax law changes.

The second provision would require that taxpayers report the taxpayer identification numbers of all dependents at least two years of age for whom they claim an exemption. Under current law, taxpayer identification numbers must be reported for dependents who are at least five years of age. The Joint Committee on Taxation has provided the revenue effects of Title IX, which are shown in Table 6.

TABLE 6.—REVENUE INCREASES IN TITLE IX (TAX PROVISIONS) [1]

[By fiscal year, in millions of dollars]

	1989	1990	1991	1992	1993
Phase Out Dependent Care Credit	17	173	188	206	228
Report taxpayer identification numbers for dependents 2 to 5 years of age	([2])	([2])	([2])	([2])	([2])

[1] This table does not include offsetting receipts from the IRS debt collection provision, because these receipts are accounted for on the spending side of the budget.
[2] Revenue increases of less than $10 million.

6. Estimated cost to State and local Governments: State and local governments would have estimated savings of $2 million in 1989 and $22 million in 1990, costs of $160 million in 1991 and $32 million in 1992, and savings of $69 million in 1993. Costs would increase with the mandating of AFDC–UP in 1991 and then decline with rising savings from the child support provisions and the JOBS program. Over the five-year period, S. 1511 would cost states an estimated $99 million. Costs are shown by title and program in the accompanying table.

ESTIMATED BUDGETARY EFFECTS ON STATE AND LOCAL GOVERNMENTS

[By fiscal year, in millions of dollars]

	1989	1990	1991	1992	1993	Total 1989–93
Title I—Child Support::						
FSA	−1	−36	−86	−186	−281	−590
Medicaid		([1])	−5	−15	−25	−45
Subtotal	−1	−36	−91	−201	−305	−635
Title II—JOBS Program:						
FSA	−4	−41	−86	−121	−131	−383
Medicaid	([1])	([1])	−10	−15	−25	−50
WIN	−1	−7	−12	−12	−13	−45
Subtotal	−5	−48	−108	−148	−169	−478

ESTIMATED BUDGETARY EFFECTS ON STATE AND LOCAL GOVERNMENTS—Continued

[By fiscal year, in millions of dollars]

	1989	1990	1991	1992	1993	Total 1989–93
Title III—Transitional Assistance:						
FSA		60	90	90	90	330
Medicaid		25	95	95	95	310
Subtotal		85	185	185	185	640
Title IV—Child Support Supplemental Amendments:						
FSA	(1)	−15	107	110	115	317
Medicaid		−7	102	123	139	357
Subtotal	(1)	−22	209	233	354	674
Title V—Demonstration Projects:						
FSA	(1)	(1)	(1)	2	3	5
Medicaid			1	2	5	8
Subtotal	(1)	(1)	1	4	8	13
Title VI—Payments to Territories: FSA	4	4	4	4	4	20
Title VII—Waiver Authority	(1)	(1)	(1)	(1)	(1)	(1)
Title VIII—Administration:						
FSA		−5	−30	−30	−30	−95
Food Stamps		10	10	10	10	40
Medicaid		−10	−20	−25	−25	−80
Total		−5	−40	−45	−45	−135
Total:						
FSA	−1	−33	−1	−131	−230	−396
Food Stamps		10	10	10	10	40
Medicaid	(1)	8	163	165	164	500
WIN	−1	−7	−12	−12	−13	−45
Total	−2	−22	160	32	−69	99

[1] $500,000 or less.

The Child Support Enforcement provisions of Title I would save states substantial sums, rising to an estimated $306 million in 1993. About 60 percent of the savings in 1993 would occur because of the mandating of the use of guidelines in child support awards and another 33 percent because of the requirement for immediate wage withholding. State savings from these changes would be much greater than federal savings. The federal government now pays 68 percent of the state costs of CSE and recoups only 29 percent of any increased AFDC collections while states recoup 49 percent with the remainder (up to $50 a month) retained by AFDC families. The federal share of collections is reduced by incentive payments made to the states. While most states would share in the estimated savings for the CSE provisions, those states who already require the use of guidelines or immediate wage withholding would not.

Title II, initiating the JOBS program, would also save states money—an estimated $478 million over five years. As noted earlier, state costs of work-related programs would decline with the increase in the federal match rate, and they would also share in the savings in AFDC and in Medicaid as new work program participants acquired jobs and moved off of welfare. Because Food Stamps

is a fully federally-funded program, states would not share in any benefit savings. Not all states would share equally in these savings. Those states with the largest work-related programs currently in place—such as California and Massachusetts—would save the most.

The transitional assistance provided in Title III would cost states an estimated $640 million over five years. About one-half of these costs are for child care assistance and one-half for Medicaid assistance. In both programs, states would pay their regular share of AFDC and Medicaid costs, averaging about 45 percent for all states. The state cost of a mandatory program for transitional child care assistance was reduced by $50 million annually because several states have already chosen to fund some transition assistance.

States would also incur costs from the major change made in Title IV—mandating of the AFDC-UP program. Some 24 states do not currently provide such benefits. For these states, costs in AFDC and Medicaid are estimated to be $220 million, $240 million, and $260 million in fiscal years 1991 to 1993, respectively. Other provisions in Title IV would save states money on balance.

Titles V and VI would have a small effect on states and would cost the territories $4 million a year to match the increased federal payments provided by S. 1511.

The requirement in Title VIII for states to set up pre-eligibility fraud units would save states an estimated $135 million over five years.

7. Estimate comparison: None.

8. Previous CBO estimate: None.

9. Estimate prepared by: Janice Peskin, Julia Isaacs, Richard Curley, Alan Fairbank, Don Muse (226-2820), Jim Hearn (226-2860), Marianne Page, Rick Kasten (226-2720), and Chris Ross (226-2650).

10. Estimate approved by: C.G. Nuckols for James L. Blum, Assistant Director for Budget Analysis.

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ADDITIONAL VIEWS OF MESSRS. ARMSTRONG AND ROTH

Congress is poised to make another well-intentioned but seriously flawed effort to reform our nation's troubled welfare system.

We do not support passage of S. 1511 in its present form. While touted as "reform", the bill will do little more than boost welfare spending by $2.8 billion and perpetuate the cycle of dependency. It will expand welfare benefits and welfare rolls. It will create new incentives for families to go on welfare, and worsen the disincentive to stay on because it "pays" more than work.

Before it is worthy of the label "reform", S. 1511 is in need of substantial improvement.

WORK TRAINING PROGRAM

S. 1511 establishes a new "JOBS" program to provide education training, and work for welfare recipients. Funding for JOBS, which would replace the Work Incentives program (WIN), would reach $1 billion per year. While such a program could play a key role in ending dependency, this one contains some major flaws.

First, the program fails to include "participation rates" to ensure that a minimum number of welfare recipients will benefit from JOBS. While the bill purports to require participation in the program, states retain considerable discretion on how to spend JOBS money and may select activities which limit resources to a small number of welfare recipients. Minimum participation rates will provide an incentive to make JOBS available to a broader cross-section of the welfare population, especially those with low skills. Absent such rates, states may devote JOBS resources to those most able to leave welfare and least in need of the program.

The second major flaw in JOBS is that states would not have to provide any significant work-related activity, such as work-for-welfare or job search. States could allow welfare recipients to participate in JOBS through any form of education, from high school to post-secondary. The program will become a major new source of Federal education assistance, further supplant local responsibilities, and duplicate existing Federal programs. Rather than training individuals to leave welfare for work, JOBS may entice some to go on the rolls to reap significant education benefits. That's not only a bad incentive, but unfair to low-income, non-welfare families not receiving such broad assistance.

MINIMUM COMPENSATION

S. 1511 would also enshrine the disincentive for people to stay on welfare because it "pays" more than work. Under JOBS, states may not require an individual to accept a job if it results in a net loss of all income, including the value of Food Stamps and Medicaid, unless the state provides a supplementary benefit. This sharp-

ly expands current law which provides that a recipient cannot be required to work at less than AFDC cash benefits.

This provision makes welfare an acceptable economic choice and severely undermines the value of work in promoting personal responsibility and independence. In some states, this provision would mean a welfare recipient could reject a job unless it paid almost twice the minimum wage. It is unreasonable to assume everyone on welfare can initially attain something markedly better than entry level jobs, and therefore should be allowed to refuse them.

MANDATORY AFDC-UP

S. 1511 takes another major step back from real reform by mandating the AFDC-UP program. States now have the option of providing AFDC cash benefits to two-parent families where the principal earner is unemployed.

The Administration estimates that mandatory UP benefits will add 90,000 families to the welfare rolls at a cost of $1.1 billion to the Federal government and $600 million to the states over five years. The rationale for UP—that AFDC is needed to keep families intact—is much in dispute, and several studies conclude the opposite is true. The Seattle/Denver Income Maintenance Experiment [SIME-DIME] concluded that guaranteed household incomes "dramatically increased the rates at which marriages dissolved among blacks and whites."

Other scholars disagree. States are now free to choose which policy is right for them. 26 states, some facing high unemployment, have enacted AFDC-UP. 24 others have chosen not to. Until the need is more certain on a national basis, Congress should not force this cost on states that think it is bad policy.

HIGHER WELFARE SPENDING

The Congressional Budget Office estimates S. 1511 will increase Federal welfare expenditures by $2.8 billion over five years. The Administration puts the total increase at $3.5 billion. This new spending would be financed in part by raising taxes on some working mothers: the bill phases-out the dependent child care tax credit for those earning over $70,000.

The Adminsitration also estimates the bill would increase state welfare costs by $1.6 billion over five years. A major source of higher state costs are proposed "transition benefits" for families leaving AFDC. The bill requires states to provide child care for 9 months for those no longer eligible for AFDC. This benefit would be an open-ended entitlement, not limited by funds available under JOBS. The Federal government would match state payments up to $160 per month per child.

The bill also requires states to provide 12 months of Medicaid to families no longer eligible for AFDC. Current law already requires states to provide 4 to 9 months of Medicaid, and up to 15 months at state option for some families.

The Administration estimates these two transition benefits would cost the Federal and state governments $700 million each over five years, and keep 500,000 families on public assistance. Only former AFDC families would receive these benefits, not other

poor families. Again, this inequity may induce some to join the welfare rolls.

CHANGES NEEDED

We hope our colleagues will consider serveral important changes to S. 1511 when it comes before the Senate:

The JOBS program should ensure a minimum percentage of participation by welfare recipients and direct states to offer work activities such as work-for-welfare and job search.

Disincentives to remain on welfare, such as the expanded minimum compensation provision, must be deleted. Incentives to apply for welfare, such as broad education and transition benefits, should be limited.

AFDC-UP should remain a state option.

Absent these changes, another opportunity to end the dependency inflicted on so many poor families by the welfare system will once again be lost.

WILLIAM L. ARMSTRONG.
WILLIAM V. ROTH, JR.

ADDITIONAL VIEWS OF MR. WALLOP

It has been nearly a generation since the Finance Committee has considered comprehensive welfare reform legislation. The Senate is once again debating this issue, but if we do not do it right this year, the Family Security Act will be viewed as just one more failed effort. It is incredulous, even scandalous, that the Congress cannot reform what is popularly viewed as a fraud-ridden, dependency-creating public welfare system.

Back in 1970, the Senate rejected a flawed proposal, the Family Assistance Plan. Debate over welfare reform was effectively ended. Then, the approach to welfare reform consisted of expanding the income of welfare recipients by improving benefits. The FAP bill, strongly supported by the Republican Administration, moved quickly through the House of Representatives with strong bipartisan support. It wasn't until the bill reached the Senate that in-depth discussion of FAP's impact on work effort and federal spending took place.

Some members of the Senate Finance Committee, such as John J. Williams of Delaware, were not convinced that increasing welfare benefits even with work incentives, would reduce welfare rolls and move people into productive private sector employment. The debate concentrated on the related issues of a guaranteed income through expanded benefits and creating disincentives for people to give up welfare assistance. This latter problem revolved around the high marginal "tax rate" that welfare recipients faced in terms of lost benefits if they entered the workforce. FAP did not solve this problem, and in some ways exacerbated it.

As the FAP critics correctly pointed out, every experiment on guaranteed annual incomes, from Speenhamland in the arly 1800's to the New Jersey (Seattle-Denver) Negative Income Tax Experiment in the late 1960's, demonstrated that expanding the accessibility of welfare reduced work effort. At the same time, the so-called notch affect, whereby people working their way off of welfare abruptly lost eligibility for in-kind and cash benefits as earned income increased, also created a work disincentive. The architects of FAP could not work around these obstacles, and the Senate finally rejected even a scaled down version of FAP.

It was not until 1986 that welfare reform was placed back on the national agenda. President Reagan, in his State of the Union address, directed that work begin on a new program to address the needs of low income families. The Administration proposed a thoughtful and dramatic analysis of public welfare in its report, *Up From Dependency*. This report provided goals for welfare reform and initiated a new legislative drafting frenzy.

The report correctly argues that the States need greater flexibility in designing welfare programs. But, we also need stronger federal requirements for child support enforcement and for employ-

ment incentives for adult welfare recipients. What we should not do is repeat the mistakes of FAP by trying to respond to the problem of being poor by expanding income transfer programs.

Unfortunately, this is the direction which some welfare reform advocates would lead us. For instance, the legislation passed last year by the House of Representatives is a cleverly disguised FAP trap. The sponsors make a lot of noise about how the bill is dedicated to putting welfare clients to work. According to the Congressional Budget Office, the bill does move some welfare recipients into private sector employment through the new NETWORK jobs program. According to their analysis, about 100,000 adult welfare recipients will eventually be placed in employment training programs on an annual basis. In 1992, the fifth year of NETWORK, 25,000 welfare recipients will be placed in jobs, at an average cost of $2,260 in training benefits.

However, this is not the true cost of the program. The House bill repeats some of the errors encountered back in 1970. For instance, the bill increases the earnings disregard which increases the income of welfare recipients until their earnings drives them over the notch, and once again, total income drops due to loss of eligibility for certain welfare benefits. CBO estimates that the total five year (1988–1992) cost of the House bill is $5.3 billion, with most costs coming from direct spending on AFDC and Medicaid entitlements.

For 1992, we are not spending $2,260 for each NETWORK participant. Rather, the total cost of the bill divided among the number of welfare recipients in the NETWORK program is $15,500 per individual. The total average cost for each welfare recipient who goes from AFDC to a job in 1992 is $71,200. That makes the NETWORK program even more expensive, in terms of total new federal spending, than the old public jobs program under CETA. And, the CBO report also explains that AFDC participation will increase by 50,000 families because of the increased earnings disregards (erroneously labeled "Real Work Incentives"), and by 90,000 families because of the expanded AFDC-UP program. The bottom line on the House bill is that it both expands participation in welfare and increases drastically program costs. Quite simply, it is a failure.

In the Senate, we are fortunate to have as a leader in welfare reform efforts the Senator from New York, Mr. Moynihan. He understands the welfare system. He participated in every battle over welfare reform as far back as the 1960's. He is cognizant of the pitfalls facing welfare legislation. And, we all share a commonality of interest, namely, shifting our welfare system from a program stressing benefits to one that promotes employment opportunities for the welfare underclass.

I agree with Senator Moynihan in that federal welfare assistance has two purposes, to protect those without the resources and abilities to provide for themselves, and to assist the able bodied to enter private sector employment. The bill he developed includes the concept of individual responsibility. He agrees that we need new programs to provide education, training, remediation, intensive job search, and work experience for adults on welfare. The responsibility of parents to support their families is also recognized through stronger child support enforcement provisions.

With these principles as a base, we should have been able to fashion a real welfare reform bill that would have been unanimously approved by the Finance Committee. That did not occur, mainly because the Committee bill also takes us down the path of spending more money on expanded benefits. The bill will put some people to work, but it will also incrase the welfare rolls. And, the additional spending on more benefits and more beneficiaries outweighs the gains in new employment as a result of the work requirements in the bill.

By expanding the AFDC-Unemployed Parent program, 90,000 additional participants would be added to the program according to OMB figures. And, the new supportive services provided by the JOBS title in the bill would increase participation by another 23,000 adults seeking to take advantage of the incentives. The transition benefits in the bill would result in 714,000 participants remaining on welfare for a longer period of time than would occur under existing law. In return for this expanded participation, OMB calculates that there will be 10,000 cases closed as a result of the bill. This is not a fair trade-off.

The bill reported by the Finance Committee has a five year cost of slightly more than one-half the House bill (though I had hoped that welfare reform would be budget neutral). The net five year cost of S. 1511 will be $3.4 billion according to the OMB. This figure does not include additional costs to the States for increases in participation and longer transition benefits (such as Medicaid) which have a State cost share requirement.

The fact that the Senate bill cost less than the Hosue bill can be viewed as progress, but we certainly can do better (but one hates to even contemplate what will come out of a conference committee). The first step is to move away from the notion that welfare reform requires an expansion of benefits. Reforming public assistance is not increasing the burden on taxpayers or increasing the federal deficit in order to encourage more people to go on welfare. While we must ensure that those in need receive adequate assistance, we must also stress the obligation and the opportunity of able-bodied adults to work.

Perhaps the most effective welfare reform would be to simply cash in the sixty-odd federal welfare programs, and use the savings to fund a monthly cash benefit to every family on welfare. This would increase their income but there would also be an effective work requirement in exchange for this monthly check. In a sense, this is what is attempted by S. 1511. WIN and WIN-Demo work requirements are expanded to cover more adults on welfare. A revised administrative structure is required to guide these adults into productive private sector jobs. But the bill goes astray by not requiring any participation standards and by expanding transition benefits. This last item drives us back to the problem of the notch and high marginal "tax" for individuals as they seek to increase their earned income to replace the value of cash and in-kind welfare benefits.

In looking at the bill title by title, I strongly support Title I, which improves child support enforcement procedures. Family responsibilities continue even when parents separate. As studies have shown, the income of the father increases and the income of the

mother with custody of the children decreases upon separation. All too often, the new, female-headed family must seek some form of public assistance. If the father provided adequate and consistent child support, there would be less demand for public assistance. If S. 1511 consisted only of title I, it would still be an important reform.

Title II of S. 1511 is the heart of the bill. But, the heart is not always the best guide to rational changes. In this instance, we have a revised work program, with education, employment and training in bold caps. This activity mimics in many respects existing Job Training Partnership Act employment and training services. In addition, the JEDI program passed last year by the Senate further expands the Labor Department's employment and training programs for the low income disadvantaged. In fact, current federal welfare law, S. 1511 and JTPA/JEDI target adults on welfare as prime candidates for employment services.

Under the existing work requirements for welfare recipients, the WIN program, about 36 percent of the 3.2 million female heads-of-household are required to participate in WIN (and two-thirds of all adult males on AFDC are required to participate). The failure of the existing welfare-related employment requirements is that the only requirement of participation is that the adult register for WIN services. If the local welfare agency has no program other than a registration desk, the requirement is fulfilled. During the 1980's, the Finance Committee has sporadically reviewed this issue, and initiated additional work programs, namely WIN-Demo, CWEP, and Work Supplementation. But, the welfare program still does not have an effective work requirement.

At the same time, Title II of JTPA, which is 100 percent federal funding, provides employment and training services for the economically disadvantaged. While this population is a broader group than adults on welfare, Section 203 of JTPA targets services to AFDC adult recipients. JTPA has participation and performance requirements. One participation goal is to ensure that the AFDC population is served by JTPA in direct proportion to their representation in the eligible population. A recent study by the National Commission for Employment Policy demonstrates that this goal has been reached. Still, only 10 percent of the WIN-eligible population of AFDC adults participate in JTPA.

The adult-AFDC participation rate in JTPA is not higher for a variety of reasons. One constraint is funding. It is obvious that if we want to move more adult welfare recipients off the rolls and into productive employment, then we should increase funding for employment and training through JTPA rather than creating duplicating JOBS or NETWORK programs. And, we also need real work requirements for welfare beneficiaries, such as the participation requirements contained in S. 1655. We would support an amendment to this legislation which would incorporate language similar to the work requirements in S. 1655. And, there are other improvements we can make in this legislation to make it a true welfare reform bill.

Last year, the Senate unanimously passed legislation, the Jobs for Employable Dependent Individuals Act. JEDI creates new incentives in JTPA for the States to target employment services to

AFDC recipients. And, unlike the welfare reform bills, with their work requirements, which will expand federal spending by $2.8 billion to over $5 billion in the next few years, the JEDI Act is scored by CBO to save $250 million. This demonstrates the purpose of reform legislation—to reduce spending on welfare, to reduce overall public spending, and to move people into productive private sector employment. These are the type of guidelines that the Finance Committee's welfare reform bill should follow. We have made some insufficient steps in following these guidelines, and we will work for further changes during the up-coming Senate debate on the Family Security Act.

In addition to flaws in the employment and training provisions, the Committee bill also fails in the education requirements. The bill sensibly prohibits the use of welfare funds to pay for the cost of higher education when a welfare recipient currently enrolled in a post-secondary institution. However, the bill is contradictory on this issue in that it does allow the funding of post-secondary education for welfare recipients required to participate in the JOBS program.

The bill would allow welfare funds to be used to pay any and all expenses of a adult welfare client related to the financing of their higher education. The cost of attending a private university approaching $12,000 annually for just tuition, this would be an outrageously expensive expenditure. This provision not only discriminates against students from middle income families who have to take out student loans and work part time to finance their education, but also discriminates against students from low income families who are not on welfare and face difficulties in attending a college or technical school even with student loans and grants.

Two years ago, the Congress approved the reauthorization of the Higher Education Act of 1965. This legislation revised and expanded Guaranteed Student Loans and Pell Grants. The major beneficiaries of these two programs are low income adults, including women receiving AFDC. In facts, we specifically excluded welfare benefits from income when determining eligibility for Pell Grants. An excellent program is now in place to assist adults on welfare with the expense of post-secondary education. In addition, the Higher Education Act funds the TRIO program which provides supportive services for economically disadvantaged students, including those on welfare. We have a substantial program to assist young adults in accessing post-secondary education opportunities.

The requirement in S. 1511 to fund education expenses for those on welfare duplicates existing programs. It is an example of government run amuck. At some point, individuals have to accept the responsibilities of adulthood; the government cannot be expected to be some superparent guiding people through every obstacle and opportunity in life. The federal government has neither the expertise, the mandate, nor the resources to take up this burden.

If there is a need for the States to provide additional funding for post-secondary education expenses of welfare recipients, the States can expand their funding for State Student Incentive Grants (which receive matching federal funds). This is a needs-based grant program for disadvantaged students organized at the State level. In short, the Higher Education Act provides funds for federal and

state financial assistance programs for disadvantaged students. The section in the Family Security Act replicating these programs should be deleted.

Rather than trying to correct all the problems in the bill reported by the Finance Committee, the most prudent action would be to approve a substitute which includes the reforms sought by the Administration and provides an effective work requirement at realistic cost. This substitute has been drafted, and in fact was nearly approved in the House of Representatives with bipartisan support. The legislation was introduced by Senator Dole (S. 1655) and Congressman Michel. The Dole-Michel bill mandates participation in employment and training programs, has effective education and work requirements, improves the child support enforcement program, sensible transition benefits, and includes the broad demonstration authority for the States to conduct experiments on welfare and work reforms. The total cost of this proposal is one third the cost of S. 1511. The Dole-Michel bill is an effective welfare to work proposal at a reasonable cost which, most importantly, will be supported by the White House. It is a proposal that should be adopted by the Senate as well.

MALCOLM WALLOP.

ADDITIONAL VIEWS OF MR. ARMSTRONG

I am pleased the Finance Committee approved an amendment to S. 1511 to further strengthen state efforts to fight welfare fraud. This is one positive feature of the legislation.

Current anti-fraud measures focus on fraud after-the-fact, that is, after an ineligible person gets on the welfare rolls and is improperly collecting benefits. Some counties in California, Arizona, Colorado, Georgia, Kansas, New Jersey, and Wisconsin have also implemented, or are planning, early fraud detection systems. The prototype is California's FRED program: Fraud Detection and Prevention. Under FRED, welfare intake workers refer suspicious matters to an investigative unit, which then checks out the claim. The idea is to keep those ineligible off the rolls in the first place by moving the investigative staff to the front-end of the entitlement process.

The Inspector General of HHS recently reported why early fraud detection is so important. He found that AFDC fraud was a billion-dollar problem and that the Federal government could save $800 million annually by requiring States to implement a pre-eligibility detection system. The IG reported that state officials believe the magnitude of fraud is much higher than previously reported, and that fraud perpetrators' sophistication is keeping pace with automated fraud detection techniques.

The IG stressed the need for early detection:

> The eligibility worker is the cornerstone of the State's fraud detection efforts but is often poorly prepared for this responsibility.
>
> Many eligibility workers view the fraud investigation and prosecution process as being ineffective.
>
> Eligibility workers report that the lenient response to AFDC fraud is well known in the communities.
>
> The presence of an active, visible and effective fraud investigation function is critical to the integrity of the AFDC program.

In California, FRED has had a remarkable impact on reducing fraud. In Orange County, between $16.60 and $33.81 was saved for every $1 spent on FRED. In three counties with FRED, out of 8,642 applications referred to the investigators for pre-eligibility clearance, 824 were withdrawn by the applicants. Another 1,585 were denied because of the information turned up by the investigators. In calendar year 1985, about 18 percent of AFDC applications in 21 California counties were referred by the intake workers for pre-eligibility investigations. A total of 5.33 percent were subsequently withdrawn or denied.

It's equally important to note that FRED investigations handled expeditiously and fairly. Nearly all investigations are completed within the normal applicant waiting period for benefits. Indeed,

the average turnaround time for FRED inquiries in 1987 was 9 days. Benefit grants are *not* withheld from an applicant in the rare event an investigation is incomplete.

In addition, there are no indications FRED has resulted in any harassment of applicants. Under FRED, all applicants are provided a complaint form which may be filed if benefits are denied. According to a report by the California Legislative Analyst Office, 19,000 investigations in 20 California counties in the 1986–87 fiscal year resulted in 7,457 applications denied or withdrawn. Of those withdrawn or denied, only 11 applicants—one-tenth of one percent—filed a complaint regarding their denial. Of these 11, seven complaints were unrelated to the FRED program. The study concluded that applicant rights have been protected under the FRED system. This is strong evidence that pre-eligibility detection can be undertaken in a fair and responsible manner.

Efforts to preserve welfare benefits for those truly in need are a fitting part of any welfare reform legislation. The Finance Committee's action will greatly enhance state anti-fraud efforts and better ensure that Federal and state tax dollars for welfare will serve only those who are entitled to them.

WILLIAM L. ARMSTRONG.

VII. CHANGES IN EXISTING LAW

Pursuant to the requirements of paragraph 12 of Rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill S. 1511, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SOCIAL SECURITY ACT

* * * * * * *

TITLE II—FEDERAL OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

* * * * * * *

EVIDENCE, PROCEDURE, AND CERTIFICATION FOR PAYMENT

SEC. 205. [42 U.S.C. 405] (a) The Secretary shall have full power and authority to make rules and regulations and to establish procedures, not inconsistent with the provisions of this title, which are necessary or appropriate to carry out such provisions, and shall adopt reasonable and proper rules and regulations to regulate and provide for the nature and extent of the proofs and evidence and the method of taking and furnishing the same in order to establish the right to benefits hereunder.

* * * * * * *

(c)(1) For the purposes of this subsection—

* * * * * * *

(2)(A) On the basis of information obtained by or submitted to the Secretary, and after such verification thereof as he deems necessary, the Secretary shall establish and maintain records of the amounts of wages paid to, and the amounts of self-employment income derived by, each individual and of the periods in which such wages were paid and such income was derived and, upon request, shall inform any individual or his survivor, or the legal representative of such individual or his estate, of the amounts of wages and self-employment income of such individual and the periods during which such wages were paid and such income was derived, as shown by such records at the time of such request.

* * * * * * *

(C)(i)*(I)* It is the policy of the United States that any State (or political subdivision thereof) may, in the administration of any tax, general public assistance, driver's license, or motor vehicle registration law within its jurisdiction, utilize the social security account numbers issued by the Secretary for the purpose of establishing the

identification of individual affected by such law, and may require any individual who is or appears to be so affected to furnish to such State (or political subdivision thereof) or any agency thereof having administrative responsibility for the law involved, the social security account number (or numbers, if he has more than one such number) issued to him by the Secretary.

(II) In the administration of any law involving the issuance of a birth certificate, each State shall, for the purpose of establishing the identity of the parents of the child for which a certificate is issued, require each such parent to furnish to such State (or political subdivision thereof) or any agency thereof having administrative responsibility for the law involved, the social security account number (or numbers, if the parent has more than one such number) issued to the parent unless the State (in accordance with regulations prescribed by the Secretary) finds good cause for not requiring the furnishing of such number. The State shall make numbers furnished under this subclause available to the agency administering the State's plan under part D of title IV in accordance with federal or state law and regulation. Such numbers need not be recorded on the birth certificate.

(ii) If and to the extent that any provision of Federal law heretofore enacted is inconsistent with the policy set forth in [clause (i) of this subparagraph] *subclause (I) of clause (i)*, such provision shall, on and after the date of the enactment of this subparagraph, be null, void, and of no effect. *If and to the extent that any such provision is inconsistent with the requirement set forth in subclause (II) of clause (i), such provision shall, on and after the date of the enactment of such subclause, be null, void, and of no effect.*

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TITLE III—GRANTS TO STATES FOR UNEMPLOYMENT COMPENSATION ADMINISTRATION

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SEC. 303. [42 U.S.C. 503] (a) The Secretary of Labor shall make no certification for payment to any State unless he finds that the law of such State, approved by the Secretary of Labor under the Federal Unemployment Tax Act, includes provision for—

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(h)(1) The State agency charged with the administration of the State law shall take such actions (in such manner as may be provided in the agreement between the Secretary of Health and Human Services and the Secretary of Labor under section 453(e)(3)) as may be necessary to enable the Secretary of Health and Human Services to obtain prompt access to any wage and unemployment compensation claims information (including any information that might be useful in locating an absent parent or such parent's employer) for use by the Secretary of Health and Human Services, for purposes of section 453, in carrying out the child support enforcement program under title IV.

(2) Whenever the Secretary of Labor, after reasonable notice and opportunity for hearing to the State agency charged with the administration of the State law, finds that there is a failure to comply

substantially with the requirement of paragraph (1), the Secretary of Labor shall notify such State agency that further payments will not be made to the State until such Secretary is satisfied that there is no longer any such failure. Until the Secretary of Labor is so satisfied, such Secretary shall make no further certification to the Secretary of the Treasury with respect to such State.

JUDICIAL REVIEW

SEC. 304. [42 U.S.C. 504] (a) Whenever the Secretary of Labor—

(1) finds that a State law does not include any provision specified in section 303(a), or

(2) makes a finding with respect to a State under subsection (b), (c), (d), [or (e)] *(e), or (h)* of section 303.

* * * * * * *

TITLE IV—GRANTS TO STATES FOR [AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN] *AID AND SERVICES UNDER THE CHILD SUPPORT SUPPLEMENT PROGRAM* AND FOR CHILD-WELFARE SERVICES

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PART A—[AID TO FAMILIES WITH DEPENDENT CHILDREN] *CHILD SUPPORT SUPPLEMENT PROGRAM*

APPROPRIATION

SECTION 401. [42 U.S.C. 601] For the purpose of encouraging the care of dependent children in their own homes or in the homes of relatives by enabling each State to furnish financial assistance and rehabilitation and other services, as far as practicable under the conditions in such State, to needy dependent children and the parents or relatives with whom they are living to help maintain and strengthen family life and to help such parents or relatives to attain or retain capability for the maximum self-support and per-

sonal independence consistent with the maintenance of continuing parental care and protection, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this part. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Secretary, [State plans for aid and services to needy families with children] *State child support supplement plans.*

[STATE PLANS FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN] *STATE CHILD SUPPORT SUPPLEMENT PLANS*

SEC. 402. [42 U.S.C. 602] (a) A State [plan for aid and services to needy families with children] *child support supplement plan* must—

* * * * * * *

(4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for [aid to families with dependent children] *aid in the form of child support supplements* is denied or is not acted upon with reasonable promptness;

* * * * * * *

(7) except as may be otherwise provided in paragraph (8) or (31) and section 415, provide that the State agency—

(A) shall, in determining need, take into consideration any other income and resources of any child or relative claiming [aid to families with dependent children], *aid in the form of ~~child~~ support supplements* or of any other individual (living in the same home as such child and relative) whose needs the State determines should be considered in determining the need of the child or relative claiming such aid;

* * * * * * *

(8)(A) provide that, with respect to any month, in making the determination under paragraph (7), the State agency—

* * * * * * *

(iv) shall disregard from the earned income of any child or relative receiving aid to families with dependent children, or of any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, an amount equal to (I) the first $30 of the total of such earned income not disregarded under any other clause of this subparagraph plus (II) one-third of the remainder thereof [(but excluding, for purposes of this subparagraph, earned income derived from participation on a project maintained under the programs established by section 432(b)(2) and (3));];

* * * * * * *

~~—~~(vi) ~~shall~~ disregard the first $50 [of any child support payments received in such month] *of any child support payments for such month received in that month, and the*

first $50 of child support payments for each prior month received in that month if such payments were made by the absent parent in the month when due, with respect to the dependent child or children in any family applying for or receiving aid to families with dependent children (including support payments collected and paid to the family under section 457(b)); and

* * * * * * *

(9) provide safeguards which restrict the use or disclosure of information concerning applicants or recipients to purposes directly connected with (A) the administration of the plan of the State approved under this part, the plan or program of the State under part [B, C, or D] *B or D* of this title or under title I, X, XIV, XVI, XIX, or XX, or the supplemental security income program established by title XVI, * * *

* * * * * * *

(10)(A) provide that all individuals wishing to make application for [aid to families with dependent children] *aid in the form of child support supplements* shall have opportunity to do so, and that aid to families with dependent children shall, subject to paragraphs (25) and (26), be furnished with reasonable promptness to all eligible individuals; and

* * * * * * *

(11) provide for prompt notice (including the transmittal of all relevant information) to the State child support collection agency (established pursuant to part D of this title) of the furnishing of [aid to families with dependent children] *aid in the form of child support supplements* with respect to a child who has been deserted or abandoned by a parent (including a child born out of wedlock without regard to whether the paternity of such child has been established);

* * * * * * *

(14) with respect to families in the category of recent work history or earned income cases (and at the option of the State with respect to families in other categories), (A) provide that the State agency will require each family to which it furnishes [aid to families with dependent children] *aid in the form of child support supplements* (or to which it would provide such aid but for paragraph (22) or (32)) to report as a condition to the continued receipt of such aid (or to continuing to be deemed to be a recipient of such aid), each month to the State agency on—

* * * * * * *

(17) provide that if a child or relative applying for or receiving [aid to families with dependent children] *aid in the form of child support supplements,* or any other person whose need the State considers when determining the income of a family, receives in any month an amount of earned or unearned income which, together with all other income for that month

not excluded under paragraph (8), exceeds the State's standard of need applicable to the family of which he is a member—

* * * * * * *

[(19) provide—

[(A) that every individual, as a condition of eligibility for aid under this part, shall register for manpower services, training, employment, and other employment-related activities (including employment search, not to exceed eight weeks in total in each year) with the Secretary of Labor as provided by regulations issued by him, unless such individuals is—

[(i) a child who is under age 16 or attending, full-time, an elementary, secondary, or vocational (or technical) school;

[(ii) a person who is ill, incapacitated, or of advanced age;

[(iii) a person so remote from a work incentive project that his effective participation is precluded;

[(iv) a person whose presence in the home is required because of illness or incapacity of another member of the household;

[(v) the parent or other relative of a child under the age of six who is personally providing care for the child with only very brief and infrequent absences from the child;

[(vi) the parent or other caretaker of a child who is deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent, if another adult relative is in the home and not excluded by clause (i), (ii), (iii), or (iv) of this subparagraph (unless he has failed to register as required by this subparagraph, or has been found by the Secretary of Labor to have refused without good cause to participate under a work incentive program or accept employment as described in subparagraph (F) of this paragraph;

[(vii) a person who is working not less than 30 hours per week;

[(viii) the parent of a child who is deprived of parental support or care by reason of the unemployment of a parent, if the other parent (who is the principal earner, as defined in section 407(d) is not excluded by the preceding clauses of this subparagraph; or

[(ix) a woman who is pregnant if it has been medically verified that the child is expected to be born in the month in which such registration would otherwise be required or within the 3-month period immediately following such month; and that any individual referred to in clause (v) shall be advised of his or her option to register, if he or she so desires, pursuant to this paragraph, and shall be informed of the child care services (if any) which will be available to him or her in the event he or she should decide so to register;

[(B) that aid to families with dependent children under the plan will not be denied by reason of such registration or the individual's certification to the Secretary of Labor under subparagraph (G) of this paragraph, or by reason of an individual's participation on a project under the program established by section 432(b)(2) or (3);

[(C) for arrangements to assure that there will be made a non-Federal contribution to the work incentive programs established by part C by appropriate agencies of the State or private organizations of 10 per centum of the cost of such programs, as specified in section 435(b);

[(D) that (i) training incentives authorized under section 434 shall be disregarded in determining the needs of an individual under paragraph (7), and (ii) in determining such individual's needs the additional expenses attributable to his paticipation in a program established by section 432(b)(2) or (3) shall be taken into account;

[(E) Stricken.

[(F) that if (and for such period as is prescribed under joint regulations of the Secretary and the Secretary of Labor) any child, relative or individual has been found by the Secretary of Labor under section 433(g) to have refused without good cause to participate under a work incentive program established by part C with respect to which the Secretary of Labor has determined his participation is consistent with the purposes of such part C, or to have refused without good cause to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined, after notification by him, to be a bona fide offer of employment—

[(i) if the relative makes such refusal, such relative's needs shall not be taken into account in making the determination under paragraph (7), and aid for any dependent child in the family in the form of payments of the type described in section 406(b)(2) (which in such a case shall be without regard to clauses (A) through (D) thereof) or section 472 will be made unless the State agency, after making reasonable efforts, is unable to locate an appropriate individual to whom such payments can be made;

[(ii) if the parent who has been designated as the principal earner, for purposes of section 407, makes such refusal, aid will be denied to all members of the family;

[(iii) aid with respect to a dependent child will be denied if a child who is the only child receiving aid in the family makes such refusal;

[(iv) if there is more than one child receiving aid in the family, aid for any such child will be denied (and his needs will not be taken into account in making the determination under paragraph (7)) if that child makes such refusal; and

[(v) if such individual makes such refusal, such individual's needs shall not be taken into account in making the determination under paragraph (7);

[(G) that the State agency will have in effect a special program which (i) will be administered by a separate administrative unit (which will, to the maximum extent feasible, be located in the same facility as that utilized for the administration of programs established pursuant to section 432(b)(1), (2), or (3)) and the employees of which will, to the maximum extent feasible, perform services only in connection with the administration of such program, (ii) will provide (through arrangements with others or otherwise) for individuals who have been registered pursuant to subparagraph (A) of this paragraph (I) in accordance with the order of priority listed in section 433(a), such health, vocational rehabilitation, counseling, child care, and other social and supportive services as are necessary to enable such individuals to accept employment or receive manpower training provided under section 432(b)(1), (2), or (3), and will, when arrangements have been made to provide necessary supportive services, including child care, certify to the Secretary of Labor those individuals who are ready for employment or training under section 432(b)(1), (2), (3), (II) such social and supportive services as are necessary to enable such individuals as determined appropriate by the Secretary of Labor actively to engage in other employment-related (including but not limited to employment search) activities, as well as timely payment for necessary employment search expenses, and (III) for a period deemed appropriate by the Secretary of Labor after such an individual accepts employment, such social and supportive services as are reasonable and necessary to enable him to retain such employment, (iii) will participate in the development of operational and employability plans under section 433(b); and (iv) provides for purposes of clause (ii) that, when more than one kind of child care is available, the mother may choose the type, but she may not refuse to accept child care services if they are available; and

[(H) that an individual participating in employment search activities shall not be referred to employment opportunities which do not meet the criteria for appropriate work and training to which an individual may otherwise be assigned under section 432(b)(1), (2), or (3);]

(19) provide that the State has in effect and operation a job opportunities and basic skills training program that meets the requirements of section 417;".

* * * * * * *

(21) provide—

(A) that, for purposes of this part, participation in a strike shall not constitute good cause to leave, or to refuse to seek or accept employment; and

(B)(i) that [aid to families with dependent children] *aid in the form of child support supplements* is not payable to

a family for any month in which any caretaker relative with whom the child is living is, on the last day of such month, participating in a strike, and (ii) that no individual's needs shall be included in determining the amount of aid payable for any month to a family under the plan if, on the last day of such month, such individual is participating in a strike;

* * * * * * *

(30) at the option of the State, provide for the establishment and operation, in accordance with an (initial and annually updated) advance automatic data processing planning document approved under subsection (d), of an automated statewide management information system designed effectively and efficiently, to assist management in the administration of the State [plan for aid to families with dependent children] *child support supplement plan* approved under this part, so as (A) to control and account for (i) all the factors in the total eligibility determination process under such plan for aid (including but not limited to (I) identifiable correlation factors (such as social security numbers, names, dates of birth, home addresses, and mailing addresses (including postal ZIP codes), of all applicants and recipients of such aid and the relative with whom any child who is such an applicant or recipient is living) to assure sufficient compatibility among the systems of different jurisdictions to permit periodic screening to determine whether an individual is or has been receiving benefits from more than one jurisdiction, (II) checking records of applicants and recipients of such aid on a periodic basis with other agencies, both intra- and inter-State, for determination and verification of eligibility and payment pursuant to requirements imposed by other provisions of this Act), (ii) the costs, quality, and delivery of funds and services furnished to applicants for and recipients of such aid, (B) to notify the appropriate officials of child support, food stamp, social service, and medical assistance programs approved under title XIX whenever the case becomes ineligible or the amount of aid or services is changed, and (C) to provide for security against unauthorized access to, or use of, the data in such system;

* * * * * * *

[(35) at the option of the State, provide—

[(A) that as a condition of eligibility for aid under the State plan of any individual claiming such aid who is required to register pursuant to paragraph (19)(A) (or who would be required to register under paragraph (19)(A) but for clause (iii) (thereof), including all such individuals or only such groups, types, or classes thereof as the State agency may designate for purposes of this paragraph, such individual will be required to participate in a program of employment search—

[(i) beginning at the time he applies for such aid (or an application including his need is filed) and continuing for a period (prescribed by the State) of not more

than eight weeks (but this requirement may not be used as a reason for any delay in making a determination of an individual's eligibility for aid or in issuing a paymnent to or in behalf of any individual who is otherwise eligible for such aid); and

[(ii) at such time or times after the close of the period prescribed under clause (i) as the State agency may determine but not to exceed a total of 8 weeks in any 12 consecutive months;

[(B) that any individual participating in a program of employment search under this paragraph will be furnished such transportation and other services, or paid (in advance or by way of reimbursement) such amounts to cover transportation costs and other expenses reasonably incurred in meeting requirements imposed on him under this paragraph, as may be necessary to enable such individual to participate in such program; and

[(C) that, in the case of an individual who fails without good cause to comply with requirements imposed upon him under this paragraph, the sanctions imposed by paragraph (19)(F) shall be applied in the same manner as if the individual had made a refusal of the type which would cause the provisions of such paragraph (19)(F) to be applied (except that the State may at its option, for purposes of this paragraph, reduce the period for which such sanctions would otherwise be in effect);]

* * * * * * *

[(37) provide that, in any case where a family has ceased to receive aid under the plan because (by reason of paragraph (8)(B)(ii)(II) the provisions of paragraph (8)(A)(iv) no longer apply, such family shall be considered for purposes of title XIX to be receiving aid to families with dependent children under such plan for a period of 9 months after the last month for which the family actually received such aid; and the State may at its option extend such period by an additional period of up to 6 months in the case of a family that would be eligible during such additional period to receive aid under the plan (without regard to this paragraph) if such paragraph (8)(A)(iv) applied;]

(38) provide that in making the determination under paragraph (7) with respect to a dependent child and applying paragraph (8), the State agency shall (except as otherwise provided in this part) include—

(A) any parent of such child, and

(B) any brother or sister of such child, if such brother or sister meets the conditions described in clauses (1) and (2) of section 406(a) or in section 407(a) [(if such section is applicable to the State)],

if such parent, brother, or sister is living in the same home as the dependent child, and any income of or available for such parent, brother, or sister shall be included in making such determination and applying such paragraph with respect to the

family (notwithstanding section 205(j), in the case of benefits provided under title II);

(39) provide that in making the determination under paragraph (7) with respect to a dependent child whose parent or legal guardian is under the age of 18, the State agency shall (except as otherwise provided in this part) include any income of such minor's own parents or legal guardians who are living in the same home as such minor and dependent child, to the same extent that income of a stepparent is included under paragraph (31); [and]

(40) provide, if the State has elected to establish and operate a fraud control program under section 416, that the State will submit to the Secretary (with such revisions as may from time to time be necessary) a description of and budget for such program, and will operate such program in full compliance with that section[.];

(41) provide that—

(A) subject to subparagraph (B), in the case of any individual who is under the age of 18 and has never married, and who has a dependent child in his or her care (or is pregnant and is eligible for child support supplements under the State plan), (i) such individual may receive child support supplements under the plan for the individual and such child (or for herself in the case of a pregnant woman) only if such individual and child (or such pregnant woman) reside in a place of residence maintained by a parent, legal guardian, or other adult relative of such individual as such parent's, guardian's, or adult relative's own home, or reside in a foster home, maternity home, or other adult-supervised supportive living arrangement, and (ii) such supplements (where possible) shall be paid to the parent, legal guardian, or adult relative on behalf of such individual and child; and

(B) subparagraph (A) does not apply in the case where—

(i) such individual has no parent or legal guardian of his or her own who is living and whose whereabouts are known;

(ii) no living parent or legal guardian of such individual allows the individual to live in the home of such parent or guardian;

(iii) the State agency determines that the physical or emotional health or safety of such individual or such dependent child would be jeopardized if such individual and such dependent child lived in the same residence with such individual's own parent or legal guardian;

(iv) such individual lived apart from his or her own parent or legal guardian for a period of at least one year prior to either the birth of any such dependent child or the individual having made application for child support supplements under the plan; or

(v) the State agency otherwise determines (in accordance with regulations issued by the Secretary) there is good cause for waiving such subparagraph;

(42) provide that payments of child support supplements will be made under the plan with respect to dependent children of unemployed parents in accordance with section 407;

(43) provide that the State agency shall—

(A)(i) be responsible for assuring that the benefits and services under the programs under this part and part D are furnished in an integrated manner, and

(ii) to the maximum extent possible (as is otherwise consistent with the provisions of this title), assure that all parents applying for or receiving child support supplements under this part are encouraged, assisted, and required to fulfill their responsibilities to support their children by (I) preparing for, seeking, accepting, and retaining such employment as they are capable of performing, and (II) cooperating in the establishment of paternity and the enforcement of child support obligations; and

(B) notify each applicant for child support supplements under this part and (at such times as required under regulations of the Secretary) each recipient of such supplements of—

(i) the education, employment, and training services (including supportive services with respect to such services), and paternity establishment and child support services for which the applicant or recipient (as the case may be) is eligible; and

(ii) the requirements that must be met in order to be eligible for any such services; and

(44) provide (in accordance with regulations issued by the Secretary) for appropriate measures to detect fraudulent applications for child support supplements prior to the establishment of eligibility for such supplements.

* * * * * * *

(e)(1) The Secretary shall not approve the initial and annually updated advance [automatic] *automated* data processing planning document, referred to in subsection (a)(30), unless he finds that such document, when implemented, will generally carry out the objectives of the statewide management system referred to in such subsection, and such document—

(A) provides for the conduct of, and reflects the results of, requirements analysis studies, which include consideration of the program mission, functions, organizations, services, constraints, and current support, of, in, or relating to, such system,

(B) contains a description of the proposed statewide management system, including a description of information flows, input data, and output reports and uses,

(C) sets forth the security and interface requirements to be employed in such statewide management system,

(D) describes the projected resource requirements for staff and other needs, and the resources available or expected to be available to meet such requirements,

(E) includes cost-benefit analyses of each alternative management system, data processing services and equipment, and a

cost allocation plan containing the basis for rates, both direct and indirect, to be in effect under such statewide management system.

(F) contains an implementation plan with charts of development events, testing descriptions, proposed acceptance criteria, and backup and fallback procedures to handle possible failure of contingencies, and

(G) contains a summary of proposed improvement of such statewide management system in terms of qualitative and quantitative benefits.

(2)(A) The Secretary shall, on a continuing basis, review, assess, and inspect the planning, design, and operation of, statewide management information systems referred to in section 403(a)(3)(B), with a view to determining whether, and to what extent, such systems meet and continue to meet requirements imposed under such section and the conditions specified under subsection (a)(30) of this section.

(B) If the Secretary finds with respect to any statewide management information system referred to in section 403(a)(3)B) that there is a failure substantially to comply with criteria, requirements, and other undertakings, prescribed by the advance [automatic] *automated* data processing planning document theretofore approved by the Secretary with respect to such system, then the Secretary shall suspend his approval of such document until there is no longer any such failure of such system to comply with such criteria, requirements, and other undertakings so prescribed.

(C) If the Secretary determines that such a system has not been implemented by the State by the date specified for implementation in the State's advance [automatic] *automated* data processing planning document, then the Secretary shall reduce payments to such State, in accordance with section 403(b), in an amount equal to 40 percent of the expenditures referred to in section 403(a)(3)(B) with respect to which payments were made to the State under section 403(a)(3)(B). The Secretary may extend the deadline for implementation if the State demonstrates to the satisfaction of the Secretary that the State cannot implement such system by the date specified in such planning document due to circumstances beyond the State's control.

* * * * * * *

(g)(1)(A) Each State agency shall guarantee child care in accordance with subparagraph (B) for each family with a dependent child requiring such care, (i) to the extent that such care is determined by the State agency to be necessary for an individual's participation in employment, education, and training activities under the program under section 417. For purposes of this subsection, the term "child care," shall be deemed to include day care for each incapacitated individual living in the same home as a dependent child, and (ii) subject to the limitations described in section 418, to the extent that such care is determined by the State agency to be necessary for an individual's employment in any case where a family has ceased to receive child support supplements under this part as a result of increased hours of, or increased income from, such employment or as a result of subsection (a)(8)(B)(ii)(II).

(B) The State agency may guarantee child care by—

(i) providing such care itself,

(ii) arranging the care through providers by use of purchase of service contracts, or voucher,

(iii) providing cash or vouchers in advance to the caretaker relative in the family,

(iv) reimbursing the caretaker relative in the family, or

(v) adopting such other arrangements as the State deems appropriate.

(C) The value of any child care provided or arranged (or any amount received as paymet for such care or reimbursement for costs incurred for the care) under this paragraph—

(i) shall not be treated as income for purposes of any other Federal or federally-assisted program that bases eligibility for or the amount of benefits upon need, and

(ii) may not be claimed as an employment-related expense for purposes of the credit under section 21 of the Internal Revenue Code of 1986.

(2) In the case of any individual participating in the program under section 417, each State agency (in addition to guaranteeing child care under paragraph (1)) shall provide payment or reimbursement for such transportation and other work-related supportive services as the State determines are necessary to enable such individual to participate in such program.

(3)(A) In the case of amounts expended for child care pursuant to paragraph (1)(A) by any State to which section 1108 does not apply, the applicable rate for purposes of section 403(a) shall be the Federal medical assistance percentage (as defined in section 1905(b)).

(B) In the case of any amounts expended by the State agency for child care under this subsection, only such amounts as are within such limits as the State may prescribe shall be treated as amounts for which payment may be made to a State under this part and only to the extent that—

(i) such amounts do not exceed the applicable local market rate (as determined by the State in accordance with regulations issued by the Secretary),

(ii) such amounts are not expended for the construction or rehabilitation of child care facilities, and

(iii) the child care involved meets applicable standards of State and local law.

(h)(1) Each State shall reevaluate the need standard and payment standard under its plan at least once every five years, in accordance with a schedule established by the Secretary, and report the results of the reevaluation to the Secretary at such time and in such form and manner as the Secretary may require.

(2) The report required by paragraph (1) shall include a statement of—

(A) the manner in which the need standard of the State is determined,

(B) the relationship between the need standard and the payment standard (expressed as a percentage or in any other manner determined by the Secretary to be appropriate), and

(C) any changes in the need standard or the payment standard in the preceding five-year period.

(3) The Secretary shall report promptly to the Congress the results of the reevaluations required by paragraph (1).

* * * * * * *

PAYMENT TO STATES

SEC. 403. [42 U.S.C 603] (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved [plan for aid and services to needy families with children] *child support supplement plan,* for each quarter, beginning with the quarter commencing October 1, 1958—

(1) in the case of any State other than Puerto Rico, the Virgin Islands, [and Guam,] *Guam, and American Samoa,* an amount equal to the sum of the following proportions of the total amounts expended during such quarter as [aid to families with dependent children] *aid in the form of child support supplements* under the State plan—

(A) five-sixths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $18 multiplied by the total number of recipients of [aid to families with dependent children] *aid in the form of child support supplements* for such month (which total number, for purposes of this subsection, means (i) the number of individuals with respect to whom such aid in the form of money payments is paid for such month, plus (ii) the number of individuals, not counted under clause (i), with respect to whom payments described in section 406(b)(2) are made in such month and included as expenditures for purposes of this paragraph or paragraph (2)); plus

(B) the Federal percentage of the amount by which such expenditures exceed the maximum which may be counted under clause (A), not counting so much of any expenditure with respect to any month as exceeds (i) the product of $32 multiplied by the total number of recipients of aid to families with dependent children (other than such aid in the form of foster care) for such month, plus (ii) the product of $100 multiplied by the total number of recipients of [aid to families with dependent children] *aid in the form of child support supplements* in the form of foster care for such month; and

(2) in the case of Puerto Rico, the Virgin Islands, [and Guam,] *Guam, and American Samoa,* an amount equal to one-half of the total of the sums expended during such quarter as [aid to families with dependent children] *aid in the form of child support supplements* under the State plan, not counting so much of any expenditure with respect to any month as exceeds $18 multiplied by the total number of recipients of such aid for such month; and

* * * * * * *

(3) in the case of any State, an amount equal to the sum of the following proportions of the total amounts expended during

such quarter as found necessary by the Secretary for the proper and efficient administration of the State plan—

* * * * * * *

(C) one-half of the remainder of such expenditures [including as expenditures under this subparagraph the value of any services furnished, and the amount of any payments made (to cover expenses incurred by individuals under a program of employment search), under section 402(a)(35)(B)),]; *and*

except that no payment shall be made with respect to amounts expended in connection with the provision of any service described in section 2002(a) of this Act other than [services furnished under section 402(a)(35)(B) (as described in the parenthetical phrase in subparagraph (C)), and other than services the provision of which is required by section 402(b)(19) to be included in the plan of the State, or which is a service provided in connection with a community work experience program or work supplementation program under section 409 or 414;] *services furnished pursuant to section 402(g); and*

* * * * * * *

No payment shall be made under this subsection with respect to amounts paid to supplement or otherwise increase the amount of [aid to families with dependent children] *aid in the form of child support supplements* found payable in accordance with section 402(a)(13) if such amount is determined to have been paid by the State in recognition of the current or anticipated needs of a family (other than with respect to the first or first and second months of eligibility), but any such amount, if determined to have been paid by the State in recognition of the difference between the current or anticipated needs of a family for a month based upon actual income or other relevant circumstances for such month, and the needs of such family for such month based upon income and other relevant circumstances as retrospectively determined under section 402(a)(13)(A)(ii), shall not be considered income within the meaning of section 402(a)(13) for the purpose of determining the amount of aid in the succeeding months.

(b) The method of computing and paying such amounts shall be as follows:

(1) * * *

* * * * * * *

(2) The Secretary of Health and Human Services shall then certify to the Secretary of the Treasury the amount so estimated by the Secretary of Health and Human Services, (A) reduced or increased, as the case may be, by any sum by which the Secretary of Health and Human Services finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State for such quarter, (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Secretary of Health and Human Services, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to [aid to families with dependent children] *aid in the form of child support sup-*

plements furnished under the State plan, and (C) reduced by such amount as is necessary to provide the "appropriate reimbursement of the Federal Government" that the State is required to make under section 457 out of that portion of child support collections retained by it pursuant to such section; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Secretary of Health and Human Services for such prior quarter.

* * * * * * *

[(c) Notwithstanding any other provision of this act, the Federal share of assistance payments under this part shall be reduced with respect to any State for any fiscal year after June 30, 1973, by one percentage point for each percentage point by which the number of individuals certified, under the program of such State established pursuant to section 402(a)(19)(G), to the local employment office of the State as being ready for employment or training under section 432(b)(1), (2), or (3), is less than 15 per centum of the average number of individuals in such State who, during such year, are required to be registered pursuant to section 402(a)(19)(A).

[(d)(1) Notwithstanding any provision of subsection (a)(3), the applicable rate under such subsection shall be 90 per centum with respect to social and supportive services provided pursuant to section 402(a)(19)(G). In determining the amount of the expenditures made under a state plan for any quarter with respect to social and supportive services pursuant to section 402(a)(19)(G), there shall be included the fair and reasonable value of goods and services furnished in kind from the State or any political subdivision thereof.

[(2) Of the sums authorized by section 401 to be appropriated for the fiscal year ending June 30, 1973, not more than $750,000,000 shall be appropriated to the Secretary for payments with respect to services to which paragraph (1) applies.]

* * * * * * *

(f) Notwithstanding any other provision of this section, the amount payable to any State under this part for quarters in a fiscal year shall with respect to quarters in fiscal years beginning after June 30, 1973, be reduced by 1 per centum a (calculated without regard to any reduction under section 403(g)) of such amount if such State—

* * * * * * *

(2) in the immediately preceding fiscal year (but, in the case of the fiscal year beginning July 1, 1972, only considering the third and fourth quarters thereof), failed to carry out the provisions of section 402(a)(15)(B) of the Social Security Act with respect to any individual who, within such period or periods as the Secretary may prescribe, has been an applicant for or recipient of [aid to families with dependent children] *aid in the form of child support supplements* under the plan of the State approved under this part.

* * * * * * *

(i)(1)(A) Notwithstanding subsection (a)(1), if the ratio of a State's erroneous excess payments (as defined in subparagraph (C)) to its total payments under the State plan approved under this part exceeds—

* * * * * * *

(4) This subsection shall not apply with respect to Puerto Rico, Guam, [or the Virgin Islands] *the Virgin Islands, or American Samoa.*

(j) In the case of Puerto Rico, Guam, [or the Virgin Islands] *the Virgin Islands, or American Samoa* if the dollar error rate of aid furnished by such State under its State plan approved under this part with respect to any six-month period, as based on samples and evaluations thereof, is—

* * * * * * *

(k)(1)(A) In lieu of any payment under subsection (a), the Secretary shall pay to each State with a plan approved under section 417 (subject to the limitation determined under subsection (k)(2) of such section) with respect to expenditures by the State to carry out the program under such section (including expenditures for child care under section 402(g)(1)(A), but only in the case of any State with respect to which section 1108 applies), an amount equal to—

(i) 90 percent, with respect to so much of such expenditures in a fiscal year as do not exceed the State's expenditures in fiscal year 1987 with respect to which payments were made to such State from its allotment for such fiscal year pursuant to part C of this title as then in effect; and

(ii) with respect to so much of such expenditures in a fiscal year as exceed the amount described in clause (i)—

(I) 50 percent, in the case of expenditures for administrative costs made by a State in operating such a program for such fiscal year (other than the personnel costs for staff employed full-time in the operation of such program) and the costs of transportation and other work-related supportive services under section 402(g)(2), and

(II) the greater of 60 percent or the Federal medical assistance percentage (as defined in section 1118 in the case of any State to which section 1108 applies, or as defined in section 1905(b) in the case of any other State), in the case of expenditures made by a State in operating such a program for such fiscal year (other than for costs described in subclause (I)).

(B) With respect to the amount for which payment is made to a State under subparagraph (A)(i), the State expenditures for the costs of operating a program established under section 417 may be in cash or in kind, fairly evaluated.

(2)(A) Notwithstanding paragraph (1), the Secretary shall pay to a State an amount equal to 50 percent of the expenditures made by such State in operating its program established under section 417 (in lieu of any different percentage specified in paragraph (1)(A)) if more than 50 percent of such expenditures are made with respect to individuals who are not described in subparagraph (B).

(B) An individual is described in this paragraph if the individual—

(i)(I) is receiving child support supplements, and

(II) has received such supplements for any 30 of the preceding 60 months;

(ii)(I) makes application for child support supplements, and

(II) has received such supplements for any 30 of the 60 months immediately preceding the most recent month for which application has been made; or

(iii) is a custodial parent under the age of 24 who (I) has not completed a high school education and, at the time of application for child support supplements, is not enrolled in high school (or a high school equivalency course of instruction), or (II) had little or no work experience in the preceding year.

OPERATION OF STATE PLANS

SEC. 404. [42 U.S.C. 604] (a) In the case of any State [plan for aid and services to needy families with childen] *child support supplement plan* which has been approved by the Secretary, if the Secretary, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds—

* * * * * * *

USE OF PAYMENTS FOR BENEFIT OF CHILD

SEC. 405. [42 U.S.C. 605] Whenever the State agency has reason to believe that any payments of [aid to families with dependent children] *aid in the form of child support supplements* made with respect to a child are not being or may not be used in the best interests of the child, the State agency may provide for such conseling and guidance services with respect to the use of such payments and the management of other funds by the relative receiving such payments as it deems advisable in order to assure use of such payments in the best interests of such child, and may provide for advising such relative that continued failure to so use such payments will result in substitution therefore of protective payments as provided under section 406(b)(2), or in seeking appointment of a guardian or legal representative as provided in section 1111, or in the imposition of criminal or civil penalties authorized under State law if it is determined by a court of competent jurisdiction that such relative is not using or has not used for the benefit of the child any such payments made for that purpose; and the provision of such services or advice by the State agency (or the taking of the action specified in such advice) shall not serve as a basis for withholding funds from such State under section 404 and shall not prevent such payments with respect to such child from being considered [aid to families with dependent children] *aid in the form of child support supplements.*

DEFINITIONS

SEC. 406. [42 U.S.C. 606] When used in this part—

(a) * * *

* * * * * * *

(b) The term [“aid to families with dependent children”] *“child support supplements”* means money payments with respect to a dependent child or dependent children, or, at the option of the State, a pregnant woman but only if it has been medically verified that the child is expected to be born in the month such payments are made or within the three-month period following such month of payment, and who, if such child had been born and was living with her in the month of payment, would be eligible for [aid to families with dependent children] *aid in the form of child support supplements*, and includes * * *

* * * * * * *

(f) Notwithstanding the provisions of subsection (b), the term [“aid to families with dependent children”] *“aid in the form of child support supplements”* does not mean payments with respect to a parent (or other individual whose needs such State determines should be considered in determining the need of the child or relative claiming aid under the plan of such State approved under this part) of a child who fails to cooperate with any agency or official of the State in obtaining such support payments for such child. Nothing in this subsection shall be construed to make an otherwise eligible child ineligible for protective payments because of the failure of such parent (or such other individual) to so cooperate.

(g) Notwithstanding the provisions of subsection (b), the term [“aid to families with dependent children”] *“aid in the form of child support supplements”* does not mean any—

(1) amount paid to meet the needs of an unborn child; or

(2) amount paid (or by which a payment is increased) to meet the needs of a woman occasioned by or resulting from her pregnancy, unless, as has been medically verified, the woman's child is expected to be born in the month such payments are made (or increased) or within the three-month period following such month of payment.

* * * * * * *

DEPENDENT CHILDREN OF UNEMPLOYED PARENTS

SEC. 407. [42 U.S.C. 607] (a) The term “dependent child” shall, notwithstanding section 406(a), include a needy child who meets the requirements of section 406(a)(2), who has been deprived of parental support or care by reason of the unemployment (as determind in accordance with standards prescribed by the Secretary) of the parent who is the principal earner, and who is living with any of the relatives specified in section 406(a)(1) in place of residence maintained by one or more of such relatives as his (or their) own home.

[(b) The provisions of subsection (a) shall be applicable to a State if the State's plan approved under section 402—

[(1) requires]

(b)(1) In providing for the payment of child support supplements under the State's plan approved under section 402 in the case of families that include dependent children within the meaning of

subsection (a) of this section, as required by section 402(a)(42), the State's plan—

[(1)] *(A) subject to paragraph (2), shall require* the payment of [aid to families with dependent children] *child support supplements* with respect to a dependent child as defined in subsection (a) when—

[(A)] *(i)* whichever of such child's parents is the principal earner has not been employed (as determined in accordance with standards prescribed by the Secretary) for at least 30 days prior to the receipt of such aid,

[(B)] *(ii)* such parent has not without good cause, within such period (of not less than 30 days) as may be prescribed by the Secretary, refused a bona fide offer of employment or training for employment, and

[(C)(i)] *(iii)(I)* such parent has 6 or more quarters of work (as defined in subsection (d)(1), *no more than four of which may be quarters of work defined in subsection (d)(1)(B))* in any 13-calendar-quarter period ending within one year prior to the application for such aid or [ii] *(II)* such parent received unemployment compensation under an unemployment compensation law of a State or of the United States, or such parent was qualified (within the meaning of subsection (d)(3)) for unemployment compensation under the unemployment compensation law of the State, within one year prior to the application for such aid; and

[(2)] *(B)* [provides—] *shall provide—*

[(A)] *(i)* for such assurances as will satisfy the Secretary that unemployed parents of dependent children as defined in subsection (a) [will be certified to the Secretary of Labor as provided in section 402(a)(19) within 30 days] *will participate or apply for participation in the program under section 417 within 30 days (unless the program is not available in the area where the parent is living)* after receipt of aid with respect to such children;

[(B)] *(ii)* for entering into cooperative arrangements with the State agency responsible for administering or supervising the administration of vocational education in the State, designed to assure maximum utilization of available public vocational education services and facilities in the State in order to encourage the retraining of individuals capable of being retrained;

[(C)] *(iii)* for the denial of [aid to families with dependent children] *child support supplements* to any child or relative specified in subsection (a)—

[(i)] *(I)* if and for so long as such child's parent described in [paragraph (1)(A)] *subparagraph (A)(i),* unless exempt under [section 402(a)(19)(A), is not currently registered pursuant to such section for the work incentive program established under part C of this title, or, if he is exempt under such section by reason of clause (iii) thereof or no such program in which he can effectively participate has been established or provided under section 432(a),] *section 417(c),* is not regis-

tered with the public employment offices in the State, and

[(ii)] *(II)* with respect to any week for which such child's parent described in [paragraph (1)(A)] *subparagraph (A)(i)* qualifies for unemployment compensation under an unemployment compensation law of a State or of the United States, but refuses to apply for or accept such unemployment compensation; and

[(D)] *(iv)* for the reduction of the [aid to families with dependent children] *child support supplements* otherwise payable to any child or relative specified in subsection (a) by the amount of any unemployment compensation that such child's parent described in [paragraph (1)(A)] *subparagraph (A)(i)* receives under an unemployment compensation law of a State or of the United States.

(2)(A) In carrying out the program under this section, a State may design its program to reflect the individual needs of the State and to emphasize education, training, and employment services for unemployed parents and their spouses who are eligible for child support supplements by reason of this section, to the extent provided under this paragraph.

(B)(i) Subject to clause (ii), with respect to the requirement under section 402(a)(42), a State may, at its option, limit the number of months with respect to which a family receives child support supplements to the extent determined appropriate by the State for the operation of its program under this section.

(ii)(I) A State may not limit the number of months under clause (i) for which a family may receive child support supplements unless it provides in its plan assurances to the Secretary that it has a program (that meets such requirements as the Secretary may in regulation prescribe) for providing education, training, and employment services (including any activity authorized under section 417) in order to assist parents of children described in subsection (a) in preparing for and obtaining employment.

(II) In exercising the option under clause (i), a State plan may not provide for the denial of child support supplements to a family otherwise eligible for such supplements for any month unless the family has received such supplements (on the basis of the unemployment of the parent who is the principal earner) in at least six out of the preceding 12 months.

(III) Any family that is otherwise eligible for child support supplements that does not receive such supplements in any month solely by reason of the State exercising the option under clause (i) shall be deemed, for purposes of determining the period under paragraph (1)(A)(iii)(I), to be receiving such supplements in such month.

(C) With respect to the participation in the program under section 417 of a family eligible for child support supplements by reason of this section, a State may, as its option—

(i) except as otherwise provided in section 417, require that any parent participating in such program engage in program activities for up to 40 hours per week; and

(ii) provide for the payment of child support supplements at regular intervals of no greater than one month but after the performance of assigned program activities.

(c) Notwithstanding any other provisions of this section, expenditures pursuant to this section shall be excluded from aid to families with dependent children (A) where such expenditures are made under the plan with respect to any dependent child as defined in subsection (a), (i) for any part of the 30-day period referred to in [subparagraph (A) subsection (b)(1)], *subsection (b)(1)(A)(i)* or (ii) for any period prior to the time when the parent satisfies [subparagraph (B)] *subsection (b)(1)(A)(ii)* of such subsection, and (B) if, and for as long as, no action is taken (after the 30-day period referred to in [subparagraph (A) of subsection (b)(2)], *subsection (b)(1)(B)(i)* under the program therein specified, [to certify such parent to the Secretary of Labor pursuant to section 402(a)(19)] *to undertake appropriate steps directed towards the participation of such parent in the program under section 417.*

* * * * * * *

(d) For purposes of this section—

(1) the term "quarter of work" with respect to any individual means a calendar quarter *(A)* in which such individual received earned income of not less than $50 (or which is a "quarter of coverage" as defined in section 213(a)(2)), or in which such individual participated in [a community work experience program under section 409, or the work incentive program established under part C;] *the program under section 417; or (B) at the option of the State, a calendar quarter in which such individual attended, full-time, an elementary school, a secondary school, or a vocational or technical training course (approved by the Secretary) that is designed to prepare the individual for gainful employment, or in which such individual participated in an education or training program established under the Job Training Partnership Act;*

(2) the term "calendar quarter" means a period of 3 consecutive calendar months ending on March 31, June 30, September 30, or December 31;

(3) an individual shall, for purposes of [section 407(b)(1)(C)] *subsection (b)(1)(A)(iii),* be deemed qualified for unemployment compensation under the State's unemployment compensation law if—

(A) he would have been eligible to receive such unemployment compensation upon filing application, or

(B) he performed work not covered under such law and such work, if it had been covered, would (together with any covered work he performed) have made him eligible to receive such unemployment compensation upon filing application; and

(4) the phrase "whichever of such child's parents is the principal earner", in the case of any child, means whichever parent, in a home in which both parents of such child are living, earned the greater amount of income in the 24-month period the last month of which immediately precedes the month in which an application is filed for aid under this part on the basis of the unemployment of a parent, for each consecutive month for which the family receives such aid on that basis.

Notwithstanding section 402(a)(1), a State that chooses to exercise the option provided under paragraph (1)(B) may provide that the definition of calendar quarter under such option apply in one or more political subdivisions of the State.

DEMONSTRATION PROGRAM OF GRANTS TO PROVIDE PERMANENT HOUSING FOR FAMILIES THAT WOULD OTHERWISE REQUIRE EMERGENCY ASSISTANCE

SEC. 408. (a) In order to ensure that States which incur particularly high costs in providing emergency assistance for temporary housing to homeless families receiving child support supplements may have an adequate opportunity to test whether such costs could be effectively reduced by the construction or rehabilitation of permanent housing that such families can afford with their child support supplements, there is hereby established a demonstration program under which the Secretary shall make grants to those States, selected in accordance with subsection (b), which conduct demonstration projects in accordance with this section.

(b)(1) Any State which desires to participate in the demonstration program established by subsection (a) may submit an application therefor to the Secretary.

(2) To be eligible for selection to conduct a demonstration project under such program, a State—

(A) must be currently providing emergency assistance (as defined in subsection (f)(1)) in the form of housing, including transitional housing;

(B) must have a particularly acute need for assistance in dealing with the problems of homeless families who receive child support supplements by virtue of the large number of such families and the existence of shortages in the supply of low-income housing in the political subdivision or subdivisions where such project would be conducted; and

(C) must submit a plan to achieve significant cost savings over a 10-year period through the conduct of such project with assistance under this section.

(3) The Secretary shall select up to two States, from among those which submit applications under paragraph (1), and are determined to be eligible under paragraph (2), to conduct demonstration projects in accordance with this section. In the event that more than two States are determined to be eligible, the two States selected shall be those with respect to which cost savings (as described in subparagraph (C) of such paragraph) will be the greatest.

(4) Grants for each demonstration project under this section shall be awarded within six months after the date of the appropriation of funds (pursuant to subsection (h)) for the purposes prescribed in this section.

(c) For each year during which a State is conducting a demonstration project under this section, the Secretary shall make a grant to such State, in an amount determined under subsection (h)(2), for the construction or rehabilitation of permanent housing to serve families who would otherwise require emergency assistance in the form of temporary housing.

(d) A grant may be made to a State under subsection (b) only if such State (along with or as a part of its application) furnishes the Secretary with satisfactory assurances that—

(1) the proceeds of the grant will be used exclusively for the construction or rehabilitation of permanent housing to be owned by the State, a political subdivision of the State, an agency or instrumentality of the State or of a political subdivision of the State, or a nonprofit organization;

(2) all units assisted with funds from the proceeds of the grant will be used exclusively for rental to families which—

(A) are eligible, at the time of the rental, for assistance under the State's plan approved under section 402 (and a family with one or more members who meet this requirement shall not be deemed ineligible because one or more other members receive benefits under title XVI),

(B) have been unable to obtain non-emergency housing at rents that can be paid with the portion of such assistance allocated for shelter, and

(C) if such units were not available to them, would be compelled to live in a shelter for the homeless or in a hotel or motel, or olther temporary accommodations, paid for with emergency assistance, or would be homeless;

(3) the local jurisdiction in which such housing will be located is experiencing a critical shortage of housing units that are available to families eligible for assistance under the State plan at rents that can be paid with the amount of such assistance allocated for shelter; and

(4) whenever units assisted with grants under the project become available for occupancy, the State will discontinue the use of an equivalent number of units of the most costly accommodations it has been using as temporary housing paid for with emergency assistance, except to the extent that such accommodations are demonstrably needed—

(A) in addition to the units so assisted, to take account of the emergency assistance caseload, or

(B) because, due to the condition or location of such accommodations, or other factors, discontinuing the use of such units would not be in the best interests of needy families, provided that the State discontinues the use of an equivalent number of other units it has been using as temporary housing paid for with emergency assistance.

(e)(1) The average cost to the Federal government per unit of housing constructed or rehabilitated with a grant under a project under this section shall be an amount no greater than the yearly Federal payment of emergency assistance that would be required to provide housing for a family in a shelter for the homeless, a hotel or motel, or other temporary quarters for one year, in the jurisdiction or jurisdictions where the project is located.

(2) The total amount of Federal payments to a State under this part over the 10-year period beginning at the time construction or rehabilitation commences under the State's project under this section, with respect to the families who will live in housing assisted by a grant under such project (the "total grant cost" as more particularly defined in subsection (f)(3)), must be lower as a result of

the construction or rehabilitation of permanent housing with the grant than the total amount of Federal payments under this part that would have been made if the State made emergency assistance payments with respect to the families involved at the level of the standard yearly payment (as defined in subsection (f)(2)) during such 10-year period. If the "total grant cost" is not lower than such total amount of Federal payments, the State shall be responsible for paying the difference between such cost and such total amount.

(3) Any grant to a State under subsection (a) shall be made only on condition (A) that the non-Federal share of the total cost of the construction or rehabilitation of the housing involved is equal to at least the percentage of the current non-Federal share of assistance under the State's plan approved under section 402 (as determined under section 403(a) or 1118), increased by 10 percentage points, and (B) that such State not require any of its political subdivisions to pay a higher percentage of the total costs of the construction or rehabilitation of such housing than it would pay with respect to assistance pursuant to such State plan.

(f) For purposes of this section—

(1) the term "emergency assistance" means emergency assistance to needy families with children as described in section 406(e), and regular payments for the costs of temporary housing authorized as a special needs item under the State plan;

(2) the term "standard yearly payment", with respect to emergency assistance used to provide housing for a family in a shelter for the homeless, a hotel or motel, or other temporary quarters during any year in any jurisdiction, means an amount equal to the total amount of such assistance which was needed to provide all housing in temporary accommodations in that jurisdiction (with emergency assistance), in the most recently completed calendar year, at the 75th percentile in the range of all payments of emergency assistance for temporary accommodations, based on the State's actual experience with emergency assistance in such jurisdiction; and

(3) the term "total grant cost", with respect to housing constructed or rehabilitated under a demonstration project under this section, means the sum of (A) the Federal share of payments attributable to the construction or rehabilitation of such housing during the 10-year period beginning on the date on which its construction or rehabilitation begins, (B) the Federal share of payments of emergency assistance for temporary housing to the families involved during that part of the 10-year period in which such housing is undergoing construction or rehabilitation (at a level equal to the standard yearly payment), and (C) the Federal share of regular payments of child support supplements under the State plan to such families during the remainder of such 10-year period.

(g) Whenever a grant is made to a State under this section, the assurances required of the State under paragraphs (1) through (4) of subsection (d) and any other requirements imposed by the Secretary as a condition of such grant shall be considered, for purposes of section 404, as requirements imposed by or in the administration of the State's plan approved under section 402.

(h)(1) There are authorized to be appropriated for grants under this section the sum of $8,000,000 for each of the first 5 fiscal years beginning on or after October 1, 1988.

(2)(A) The amount appropriated for any fiscal year pursuant to paragraph (1) shall be divided between the States conducting demonstration projects under this section according to their respective need for assistance of the type involved and their respective numbers of homeless families receiving child support supplements, as determined by the Secretary.

(B) If any State to which a grant is made under this paragraph finds that it does not require the full amount of such grant to conduct its demonstration project under this section in the fiscal year involved, the unused portion of such grant shall be reallocated to the other State conducting such projects in amounts based on need for assistance of the type involved, as determined by the Secretary.

(C) Amounts appropriated pursuant to paragraph (1), and grants made from such amounts, shall remain available until expended.

(i) The Secretary shall prescribe and publish regulations (including such requirements for data and documentation as he may find necessary) to implement the provisions of this section no later than six months after the date of its enactment.

[COMMUNITY WORK EXPERIENCE PROGRAMS

[SEC. 409. [42 U.S.C. 609] (a)(1) Any State which chooses to do so may establish a community work experience program in accordance with this section. The purpose of the community work experience program is to provide experience and training for individuals not otherwise able to obtain employment, in order to assist them to move into regular employment. Community work experience programs shall be designed to improve the employability of participants through actual work experience and training and to enable individuals employed under community work experience programs to move promptly into regular public or private employment. The facilities of the State public employment offices may be utilized to find employment opportunities for recipients under this program. Community work experience programs shall be limited to projects which serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care. To the extent possible, the prior training, experience, and skills of a recipient shall be utilized in making appropriate work experience assignments. A community work experience program established under this section shall provide—

[(A) appropriate standards for health, safety, and other conditions applicable to the performance of work:

[(B) that the program does not result in displacement of persons currently employed, or the filling of established unfilled position vacancies;

[(C) reasonable conditions of work, taking into account the geographic region, the residence of the participants, and the proficiency of the participants;

[(D) that participants will not be required, without their consent, to travel an unreasonable distance from their homes or remain away from their homes overnight;

[(E) that the maximum number of hours in any month that a participant may be required to work is that number which equals the amount of aid payable with respect to the family of which such individual is a member under the State plan approved under this part, divided by the greater of the Federal or the applicable State minimum wage; and

[(F) that (i) except as provided in clause (ii) provision will be made for transportation and other costs, not in excess of an amount established by the Secretary, reasonably necessary and directly related to participation in the program, and (ii) to the extent that the State is unable to provide for the costs involved through the furnishing of services directly to the individuals participating in the program, participants who are recipients of aid under the State's plan approved under section 402 will instead be reimbursed for transportation costs directly related to their participation in the program (in amounts equal to the cost of transportation by the most appropriate means as determined by the State agency), and for day care expenses directly attributable to such participation (in amounts determined by the State agency to be reasonable, necessary, and cost-effective but not in excess of the comparable maximum day care deduction allowed under section 402(a)(8)(A)(iii) for recipients of aid under the plan generally); and amounts paid as reimbursement to participants under clause (i) or (ii) shall be considered, for purposes of section 403(a), to be expenditures made for the proper and efficient administration of the State's plan approved under section 402.

[(2) Nothing contained in this section shall be construed as authorizing the payment of aid under this part as compensation for work performed, nor shall a participant be entitled to a salary or to any other work or training expense provided under any other provision of law by reason of his participation in a program under this section.

[(3) Nothing in this part or part C, or in any State plan approved under this part, shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate, whether or not such terms, conditions, and cases are consistent with section 402(a)(19) or part C) a community work experience program in accordance with this section.

[(4)(A) Participant in community work experience programs under this section may, subject to subparagraph (B), perform work in the public interest (which otherwise meets the requirements of this section) for a Federal office or agency with its consent, and, notwithstanding section 1342 of title 31, United States codes, or any other provision of law, such agency may accept such services, but such participants shall not be considered to be Federal employees for any purpose.

[(B) The State agency shall provide appropriate workers' compensation and tort claims protection to each particpant performing work for a Federal office or agency pursuant to subparagraph (A)

on the same basis as such compensation and protection are provided to other participants in community work experience programs in the State.

[(b)(1) Each recipient of aid under the plan who is registered under section 402(a)(19) shall participate, upon referral by the State agency, in a community work experience program unless such recipient is currently employed for no fewer than 80 hours a month and is earning an amount not less than the applicable minimum wage for such employment.

[(2) In addition to an individual described in paragraph (1), the State agency may also refer, for participation in programs under this section, an individual who would be required to register under section 402(a)(19)(A) but for the exception contained in clause (v) of such section (but only if the child for whom the parent or relative is caring is not under the age of three and child care is available for such child), or in clause (iii) of such section.

[(3) The chief executive officer of the State shall provide coordination between a community work experience program operated pursuant to this section, any program of employment search under section 402(a)(35), and the work incentive program operated pursuant to part C so as to insure that job placement will have priority over participation in the community work experience program, and that individuals eligible to participate in more than one such program are not denied aid under the State plan on the grounds of failure to participate in one such program if they are actively and satisfactorily participating in another. The chief executive officer of the State may provide that part-time participation in more than one such program may be required where appropriate.

[(c) The provisions of section 402(a)(19)(F) shall apply to any individual referred to a community work experience program who fails to participate in such program in the same manner as they apply to an individual to whom section 402(a)(19) applies.

[(d) In the case of any State which makes expenditures in the form described in subsection (a) under its State plan approved under section 402, expenditures for the proper and efficient administration of the State plan, for purposes of section 403(a)(3), may not include the cost of making or acquiring materials or equipment in connection with the work performed under a program referred to in subsection (a) or the cost of supervision of work under such program, and may include only such other costs attributable to such programs as are permitted by the Secretary.]

FOOD STAMP DISTRIBUTION

SEC. 410. [42 U.S.C. 610] (a) Any State [plan for aid and services to needy families with children] *child support supplement plan* may (but is not required under this title or any other provision of Federal law to) provide for the institution of procedures, in any or all areas of the State, by the State agency administering or supervising the administration of such plan under which any household participating in the food stamp program established by the Food Stamp Act of 1977, as amended, will be entitled, if it so elects, to have the charges, if any, for its coupon allotment under such program deducted from any aid, in the form of money pay-

ments, which is (or, except for the deduction of such charge, would be) payable to or with respect to such household (or any member or members thereof) under such plan and have its coupon allotment distributed to it with such aid.

* * * * * * *

PRORATING SHELTER ALLOWANCE OF AFDC FAMILY LIVING WITH ANOTHER HOUSEHOLD

SEC. 412. [42 U.S.C. 612] A State [plan for aid and services to needy families with children] *child support supplement plan* may provide that, in determining the need of any dependent child or relative claiming aid who is living with other individuals (not claiming aid together with such child or relative) as a household (as defined, for purposes of this section, by the Secretary), the amount included in the standard of need, and the payment standard, applied to such child or relative for shelter, utilities, and similar needs may be prorated on a reasonable basis, in such manner and under such circumstances as the State may determine to be appropriate. For purposes of any method of proration used by a State Under this section, there shall not be included as a member of a household an individual receiving benefits under title XVI in any month to whom the one-third reduction prescribed by section 1612(a)(2)(A)(i) is applied.

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[WORK SUPPLEMENTATION PROGRAM

[SEC. 414. [42 U.S.C. 614] (a) It is the purpose of this section to allow a State to institute a work supplementation program under which such State, to the extent such State determines to be appropriate, may make jobs available, on a voluntary basis, as an alternative to aid otherwise provided under the State plan approved under this part.

[(b)(1) Notwithstanding the provisions of section 406 or any other provision of law, Federal funds may be paid to a State under this part, subject to the provisions of this section, with respect to expenditures incurred in operating a work supplementation program under this section.

[(2) Nothing in this part or part C, or in any State plan approved under this part, shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate, whether or not such terms, conditions, and cases are consistent with section 402(a)(19) or part (C) a work supplementation program in accordance with this section.

[(3) Notwithstanding section 402(a)(23) or any other provision of law, a State may adjust the levels of the standards of need under the State plan as the State determines to be necessary and appropriate for carrying out a work supplementation program under this section.

[(4) Notwithstanding section 402(a)(1) or any other provision of law, a State operating a work supplementation program under this section may provide that the needs standards in effect in those

areas of the State in which such program is in operation may be different from the needs standards in effect in the areas in which such program is not in operation, and such State may provide that the needs standards for categories of recipients of aid may vary among such categories as the State determines to be appropriate on the basis of ability to participate in the work supplementation program.

[(5) Notwithstanding any other provision of law, a State may make further adjustments in the amounts of aid paid under the plan to different categories of recipients (as determined under paragraph (4)) in order to offset increases in benefits from needs related programs (other than the State plan approved under this part) as the State determines to be necessary and appropriate to further the purposes of the work supplementation program.

[(6) Notwithstanding section 402(a)(8) or any other provision of law, a State operating a work supplementation program under this section (A) may reduce or eliminate the amount of earned income to be disregarded under the State plan as the State determines to be necessary and appropriate to further the purposes of the work supplementation program, and (B) during one or more of the first nine months of an individual's employment pursuant to a program under this section, may apply to the wages of the individual the provisions of section 402(a)(8)(A)(iv) without regard to the provisions of (B)(ii)(II) of such section.

[(c)(1) A work supplementation program operated by a State under this section shall provide that any individual who is an eligible individual (as determined under paragraph (2)) may choose to take a supplemented job (as defined in paragraph (3)) to the extent supplemented jobs are available under the program. Payments by the State to individuals or to employers under the program shall be expenditures incurred by the State for aid to families with dependent children, except as limited by subsection (d).

[(2) For purposes of this section, an eligible individual is an individual who is in a category which the State determines shall be eligible to participate in the work supplementation program, and who would, at the time of his placement in such job, be eligible for assistance under the State plan if such State did not have a work supplementation program in effect and had not altered its State plan accordingly, as such State plan was in effect in May 1981, or as modified thereafter as required by Federal law.

[(3) For purposes of this section, a supplemented job is—

[(A) a job position provided to an eligible individual by the State or local agency administering the State plan under this part; or

[(B) a job position provided to an eligible individual by any other employer for which all or part of the wages are paid by such State or local agency.

A State may provide or subsidize any job position under the program as such State determines to be appropriate, but acceptance of any such position shall be voluntary.

[(d) The amount of the Federal payment to a State under section 403 for expenditures incurred in making payments to individuals and employers under a work supplementation program shall not exceed an amount equal to the amount which would otherwise be

payble under such section if the family of each individual employed in the program established in such State under this section had received the maximum amount of aid payable under the State plan to such a family with no income (without regard to adjustments under subsection (b) of this section) for a period of months equal to the lesser of (1) nine months, or (2) the number of months in which such individual was employed in such program.

[(e)(1) Nothing in this section shall be construed as requiring a State or local agency administering the State plan to provide employee status to any eligible individual to whom it provides a job position under the work supplementation program, or with respect to whom it provides all or part of the wages paid to such individual by another entity under such program.

[(2) Nothing in this section shall be construed as requiring such State of local agency to provide that eligible individuals filling job positions provided by other entities under such program be provided employee status by such entity during the first 13 weeks during which they fill such position.

[(3) Wages paid under a work supplementation program shall be considered to be earned income for purposes of any provision of law.

[(f) Any work supplementation program operated by a State shall be administered by—

[(1) the agency designated to administer or supervise the administration of the State plan under section 402(a)(3); or

[(2) the agency (if any) designated to administer the community work experience program under section 409.

[(g) Any State which choose to operate a work supplementation program under this section may choose to provide that any individual who participates in such program, and any child or relative of such individual (or other individual living in the same household as such individual who would be eligible for aid under the State plan approved under this part if such State did not have a work supplementation program, shall be considered individuals receiving aid under the State plan approved under this part for purposes of eligibility for medical assistance under the State plan approved under title XIX.

[(h) No individual receiving a grant under the State plan shall be excused by reason of the fact that such State has a work supplementation program, from any requirements (except during any period in which such individuals is employed under such work supplementation program).]

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JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAM

SEC. 417. (a) It is the purpose of this section to assure that needy families with children obtain the education, training, and employment that will help them avoid long-term welfare dependence.

(b)(1) As a condition of its participation in the child support supplement program under this part, each State shall establish and operate a job opportunities and basic skills training program (in this section referred to as the "program") under a plan approved by the Secretary as meeting all of the requirements of this section and (not

later than three years after the date of enactment of this section) shall make the program available in each political subdivision of the State (unless the State demonstrates to the satisfaction of the Secretary that it is not feasible to make the program available in each such subdivision because of the needs and circumstances of local economies, the number of prospective participants, and other relevant variables). The State shall, in accordance with regulations prescribed by the Secretary, periodically review and update its plan and submit the updated plan for approval by the Secretary.

(2) Each State program shall include private sector involvement in planning and program design to assure that participants are prepared for jobs that will be available in the community.

(3) The State agency that administers or supervises the administration of the State's plan approved under section 402 shall be responsible for the administration or supervision of the administration of the State's program.

(4) Federal funds made available to a State for purposes of the program shall not be used to supplant non-Federal funds for existing services and activities which promote the purpose of this section. State or local funds expended for such purposes shall be maintained at least the level of such expenditures for fiscal year 1987.

(c)(1)(A) Except as otherwise provided in this subsection, each State shall to the extent that the program is available in the applicable political subdivision and State resources otherwise permit—

(i) require every recipient of child support supplements in the State with respect to whom the State guarantees child care in accordance with section 402(g) to participate in such program; and

(ii) allow applicants for and recipients of child support supplements (and individuals who would be recipients of such supplements if the State had not exercised the option under section 407(b)(2)(B)(i)) who are not required under clause (i) to participate in the program to do so on a voluntary basis.

(B) A State may require or allow absent parents who are unemployed and unable to meet their child support obligations to participate in the program under this section.

(C) In determining the priority of participation by individuals from among those groups described in clauses (i), (ii), and (iii) of section 403(k)(2)(B), the State shall give first consideration to applicants for or recipients of child support supplements within any such group who volunteer to participate in the program.

(D) No State shall be required to require or allow participation of an individual in the program if as a result of such participation the amount payable to the State for quarters in a fiscal year with respect to the program would be reduced pursuant to section 403(k)(2).

(2)(A) An individual may not be required to participate in the program if such individual—

(i) is ill, incapacitated, or of advanced age;

(ii) is needed in the home because of the illness or incapacity of another member of the household;

(iii) subject to subparagraph (B) and subsection (e)(1)(B), is the parent or other relative of a child under the age of three (or, at the option of the State, any age that is less than three but not

less than one), who is personally providing care for the child with only very brief and infrequent absences from the child;

(iv) works 30 or more hours a week;

(v) is a child who is under age 16 or attends, full-time, an elementary, secondary, or vocational (or technical) school;

(vi) is pregnant if it has been medically verified that the child is expected to be born in the month in which such participation would otherhwise be required or within the three-month period immediately following such month; or

(vii) resides in an area of the State where the program is not available.

(B) In the case of a family eligible for child support supplements by reason of unemployment of the parent who is the principal earner, subparagraph (A)(iii) shall apply only to one parent; except that in the case of such family, the State may at its option make such subparagraph inapplicable to both of the parents (and require their participation in the program) if child care is guaranteed with respect to the family.

(3) Any individual who is required or allowed to participate in the program and who is—

(A) the parent or relative of a child under the age of six who is providing care for such child, and

(B) not the principal earner (in the case of a family that is eligible for child support supplements by reason of the unemployment of the parent who is the principal earner);

shall not be required (but may be encouraged) to participate in the program for more than a total of 24 hours a week; except that the State may require an individual to participate on a full-time basis (in excess of 24 hours a week) in any of the educational activities described in subclause (I), (II), or (III) of subsection (e)(1)(A)(ii).

(4) If an individual who is required or allowed to participate in the program is already attending (in good standing) a school or a course of vocational or technical training designed to lead to employment at the time he or she would otherwise commence participation in the program, such attendance may constitute satisfactory participation in the program so long as such individual continues to participate in good standing. The costs of such school or course of training (whether or not paid by the State) may not be included as expenditures under the State plan for purposes of section 403 (but expenditures by the State for providing, or making reimbursement for the cost of, such child care as is necessary (as determined by the State) for attending such school or course of training may be included).

(d)(1)(A) The State agency shall make an initial assessment of the education and employment skills of each participant in the program and shall conduct a review of such participant's family circumstances. On the basis of such assessment and review, such agency may develop an employability plan for each such participant which, to the maximum extent possible, reflects the preferences of the participant.

(B) In making the intial assessment and developing (if at all) the employability plan under subparagraph (A) with respect to any participant in the program who has attained the age of 22 and does not

have a high-school diploma, the State agency shall place emphasis on meeting the educational needs of the participant.

(2) Following the initial assessment and review and the development of the employability plan with respect to any participant in the program, the State agency may require each participant (or the adult caretaker in the family of which the participant is a member) to negotiate and enter into a contract with the State agency that specifies such matters as the participant's obligations, the duration of participation in the program, and the activities to be conducted and the services to be provided in the course of such participation. If the State agency exercises the option under the preceding sentence, each participant shall be given such assistance as he or she may require in reviewing and understanding the contract.

(3) The State agency may require the assignment of a case manager to each participant and the participant's family. The case manager so assigned shall be responsible for assisting the family to obtain any services which may be needed to assure effedtive participation in the program.

(e)(1)(A) In carrying out the program, each State may make available a broad range of services and activities to aid in carrying out the purpose of this section. Such services and activities—

(i) shall include basic education and skills training; and

(ii) may include—

(I) high school or equivalent education (combined with training when appropriate);

(II) remedial education to achieve a basic literacy level;

(III) instruction in English as a second language;

(IV) post-secondary education (as appropriate);

(V) on-the-job training;

(VI) work supplementation programs as provided in subsection (f);

(VII) community work experience programs as provided in subsection (g);

(VIII) group and individual job search as provided in subsection (h);

(IX) job readiness activities to help prepare participants for work;

(X) job development, job placement, and follow-up services, as needed, to assist participants in securing and retaining employment and advancement; and

(XI) other employment, education, and training activities as determined by the State and allowed by regulations of the Secretary.

(B)(i) Subject to clause (ii), in the case of a custodial parent who has not attained 22 years of age, has not successfully completed a high-school education (or its equivalent), and is required to participate in the program (including an individual who would otherwise not be required to participate in the program solely by reason of subsection (c)(2)(A)(iii)), the State agency shall require such parent to participate in the activities described in subclause (I) or (where appropriate) subclause (II) or (III) of subparagraph (A)(ii).

(ii) The State agency may require a custodial parent described in clause (i) to participate in training or work activities (in lieu of the educational activities under such clause) if such parent fails to

make good progress in successfully completing such educational activities or if it is determined (prior to any assignment of the individual to such educational activities) pursuant to an educational assessment that participation in such educational activities is inappropriate for such parent.

(2) In assigning participants to any program activity, the State agency—

(A) shall assure that—

(i) the assignment takes into account the physical capacity, skills, experience, health and safety, family responsibilities, and place of residence of such participant, and

(ii) the participant will not be required, without his or her consent, to travel an unreasonable distance from his or her home or remain away from such home overnight; and

(B) may base the assignment on available resources, the participant's circumstances, and local employment opportunities.

(3) Wage rates for jobs to which participants are assigned under this section shall be not less than the greater of the Federal minimum wage or applicable State minimum wage. Appropriate worker's compensation and tort claims protection shall be provided to all participants on the same basis as such compensation and protection are provided to other individuals in the State in similar employment (as determined under regulations issued by the Secretary).

(4)(A) No work assignment under this section (including any assignment made under subsection (f) or (g)) shall result in—

(i) the displacement of any currently employed worker or position (including partial displacement such as a reduction in the hours of nonovertime work, wages, or employment benefits),

(ii) the filling of established unfilled position vacancies,

(iii) any infringement of the promotional opportunities of any currently employed individual, or

(iv) the impairment of existing contracts for services or collective bargaining agreements.

(B) No participant shall be assigned to fill a job opening under this section when—

(i) any individual is on layoff from the same or any substantially equivalent job, or

(ii) the employer has termianted the employment of any regular employee or otherwise reduced its workforce.

(C) The State shall establish and maintain (pursuant to regulations jointly issued by the Secretary and the Secretary of Labor) a grievance procedure for resolving complaints by regular employees or their representatives that the work assignment of an individual under the program violates any of the prohibitions described in subparagraph (A) or (B). A decision of the State under such procedure may be appealed to the Secretary of Labor for investigation and such action as such Secretary may find necessary.

(5)(A) Except as provided in subparagraph (B), the State agency may not require a participant in the program to accept a job under the program (as work supplementation or otherwise) if accepting the job would result in a net loss of income (including the value of any food stamp benefits and the insurance value of any health benefits) to the family of the participant.

(B) The State agency may require a participant to accept a job described in subparagraph (A) if the State agency makes a supplementary payment in an amount that is sufficient to maintain the income of the family at a level no less than what would be the level of income in the absence of earnings received from such job. For purposes of sections 403 and 1902(a)(10)(A)(i)(I), a supplementary payment made under this subparagraph shall be treated as a child support supplement.

(6)(A) The Governor shall assure that program activities are coordinated in each State with programs operated under the Job Training Partnership Act and with any other relevant employment, training, and education programs available in the State.

(B) The Secretary shall on a continuing basis consult with the Secretaries of Education and Labor for the purpose of assuring the maximum coordination of education and training services in the development and implementation of the program under this section.

(C) The State agency shall consult with the State education agency and the agency responsible for administering job training programs in the State in order to promote coordination of the planning and delivery of services under the program with programs operated under the Job Training Partnership Act and with education programs available in the State (including any program under the Adult Education Act or Carl D. Perkins Vocational Education Act).

(7) In carrying out the program under this section, the State agency may enter into appropriate contracts and other arrangements with public and private agencies and organizations for the provision or conduct of any services or activities under the program.

(f)(1) Any State may institute a work supplementation program under which such State, to the extent it considers appropriate, may reserve the sums that would otherwise be payable to participants in the program as child support supplements and use such sums instead for the purpose of providing and subsidizing jobs for such participants (as described in paragraph (3)(C) (i) and (ii)), as an alternative to the child support supplements which would otherwise be so payable to them.

(2)(A) Notwithstanding the provisions of section 406 or any other provision of law, Federal funds may be paid to a State under this part, subject to the provisions of this subsection, with respect to expenditures incurred in operating a work supplementation program under this subsection.

(B) Nothing in this part, or in any State plan approved under this part, shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate) a work supplementation program in accordance with this subsection and subsection (e).

(C) Notwithstanding section 402(a)(23) or any other provision of law, a State may adjust the levels of the standards of need under the State plan as the State determines to be necessary and appropriate for carrying out a work supplementation program under this subsection.

(D) Notwithstanding section 402(a)(1) or any other provision of law, a State operating a work supplementation program under this subsection may provide that the need standards in effect in those areas of the State in which such program is in operation may be dif-

ferent from the need standards in effect in the areas in which such program is not in operation, and such State may provide that the need standards for categories of recipients may vary among such categories to the extent the State determines to be appropriate on the basis of ability to participate in the work supplementation program.

(E) Notwithstanding any other provision of law, a State may make such further adjustments in the amounts of the child support supplements paid under the plan to different categories of recipients (as determined under subparagraph (D)) in order to offset increases in benefits from needs-related programs (other than the State plan approved under this part) as the State determines to be necessary and appropriate to further the purposes of the work supplementation program.

(F) In determining the amounts to be reserved and used for providing and subsidizing jobs under this subsection as described in paragraph (1), the State may use a sampling methodology.

(G) Notwithstanding section 402(a)(8) or any other provision of law, a State operating a work supplementation program under this subsection (i) may reduce or eliminate the amount of earned income to be disregarded under the State plan as the State determines to be necessary and appropriate to further the purposes of the work supplementation program, and (ii) during one or more of the first nine months of an individual's employment pursuant to a program under this section, may apply to the wages of the individual the provisions of section 402(a)(8)(A)(iv) without regard to the provisions of (B)(ii)(II) of such section.

(3)(A) A work supplementation program operated by a State under this subsection may provide that any individual who is an eligible individual (as determined under subparagraph (B)) shall take a supplemented job (as defined in subparagraph (C)) to the extent that supplemented jobs are available under the program. Payments by the State to individuals or to employers under the work supplementation program shall be treated as expenditures incurred by the State for child support supplements except as limited by paragraph (4).

(B) For purposes of this subsection, an eligible individual is an individual who is in a category which the State determines should be eligible to participate in the work supplementation program, and who would, at the time of placement in the job involved, be eligible for child support supplements under the State plan if such State did not have a work supplementation program in effect.

(C) For purposes of this section, a supplemented job is—

(i) a job provided to an eligible individual by the State or local agency administering the State plan under this part; or

(ii) a job provided to an eligible individual by any other employer for which all or part of the wages are paid by such State or local agency.

A State may provide or subsidize any job under the program which such State determines to be appropriate.

(4) The amount of the Federal payment to a State under section 403 for expenditures incurred in making payments to individuals and employers under a work supplementation program under this subsection shall not exceed an amount equal to the amount which would otherwise be payable under such section if the family of each

individual employed in the program established in such State under this subsection had received the maximum amount of child support supplements payable under the State plan to such a family with no income (without regard to adjustments under paragraph (2) of this subsection) for a period of months equal to the lesser of (A) nine months, or (B) the number of months in which such individual was employed in such program.

(5)(A) Nothing in this subsection shall be construed as requiring the State or local agency administering the State plan to provide employee status to an eligible individual to whom it provides a job under the work supplementation program (or with respect to whom it provides all or part of the wages paid to the individual by another entity under program), or as requiring any State or local agency to provide that an eligible individual filling a job position provided by another entity under such program be provided employee status by such entity during the first 13 weeks such individual fills that position.

(B) Wages paid under a work supplementation program shall be considered to be earned income for purposes of any provision of law.

(6) Any State that chooses to operate a work supplementation program under this subsection shall provide that any individual who participates in such program, and any child or relative of such individual (or other individual living in the same household as such individual) who would be eligible for child support supplements under the State plan approved under this part if such State did not have a work supplementation program, shall be considered individuals receiving child support supplements under the State plan approved under this part for purposes of eligibility for medical assistance under the State plan approved under title XIX.

(7) No individual receiving child support supplements under the State plan shall be excused by reason of the fact that such State has a work supplementation program from any requirement of this part relating to work requirements, except during periods in which such individual is employed under such work supplementation program.

(g)(1)(A) Any State may establish a community work experience program in accordance with this subsection. The purpose of the community work experience program is to provide experience and training for individuals not otherwise able to obtain employment, in order to assist them to move into regular employment. Community work experience programs shall be designed to improve the employability of participants through actual work experience and training and to enable individuals employed under community work experience programs to move promptly into regular public or private employment. The facilities of the State public employment offices may be utilized to find employment opportunities for recipients under this program. Community work experience programs shall be limited to projects which serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care. To the extent possible, the prior training, experience, and skills of a recipient shall be used in making appropriate work experience assignments.

(B) A State that elects to establish a community work experience program under this subsection shall operate such program so that

each participant (as determined by the State) either works or undergoes training (or both) with the maximum number of hours that any such individual may be required to work in any month being a number equal to the amount of child support supplements payable with respect to the family of which such individual is a member under the State plan approved under this part, divided by the greater of the Federal minimum wage or the applicable State minimum wage (and the portion of a recipient's child support supplements for which the State is reimbursed by a child support collection shall not be taken into account in determining the number of hours that such individual may be required to work).

(C) Nothing contained in this subsection shall be construed as authorizing the payment of child support supplements under this part as compensation for work performed, nor shall a participant be entitled to a salary or to any other work or training expense provided under any other provision of law by reason of his participation in a program under this subsection.

(D) Nothing in this part or in any State plan approved under this part shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate) a community work experience program in accordance with this subsection and subsection (e).

(E) Participants in community work experience programs under this subsection may perform work in the public interest (which otherwise meets the requirements of this subsection) for a Federal office or agency with its consent, and, notwithstanding section 1342 of title 31, United States Code, or any other provision of law, such agency may accept such services, but such participants shall not be considered to be Federal employees for any purpose.

(2) The State agency shall provide coordination among a community work experience program operated pursuant to this subsection, any program of job search under subsection (h), and the other employment-related activities under the program established by this section so as to insure that job placement will have priority over participation in the community work experience program, and that individuals eligible to participate in more than one such program are not denied child support supplements on the grounds of failure to particpate in one such program if they are actively and satisfactorily participating in another. The State agency may provide that part-time participation in more than one such program may be required where appropriate.

(3) In the case of any State that makes expenditures in the form described in paragraph (1) under its State plan approved under section 402, expenditures for the operation and administration of the program under this section may not include, for purposes of section 403, the cost of making or acquiring materials or equipment in connection with the work performed under a program referred to in paragraph (1) or the cost of supervision of work under such program, and may include only such other costs attributable to such programs as are permitted by the Secretary.

(h)(1) The State agency may establish and carry out a program of job search for individuals participating in the program under this section.

(2) The State agency may require job search by an individual applying for or receiving child support supplements (other than an individual described in subsection (c)(2)(A) who is not an individual with respect to whom subsection (c)(2)(B) applies—

(A) subject to the last sentence of this paragraph, beginning at the time such individual applies for child support supplements and continuing for a period (prescribed by the State) of not more than eight weeks (but this requirement may not be used as a reason for any delay in making a determination of an individual's eligibility for such supplements or in issuing a payment to or on behalf of any individual who is otherwise eligible for such supplements); and

(B) at such time or times after the close of the period prescribed under subparagraph (A) as the State agency may determine but not to exceed a total of eight weeks in any period of 12 consecutive months.

In no event may an individual be required to participate in job search for more than three weeks before the State agency conducts the assessment and review with respect to such individual under subsection (d)(1)(A).

(i)(1) If an individual who is required by the provisions of this section to participate in the program or who is so required by reason of the State's having exercised the option under subsection (c)(2)(B) fails without good cause to participate in such program or refuses without good cause to accept employment in which such individual is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined to be a bona fide offer of employment—

(A) in the case of a relative who so fails (or refuses), such relative's needs shall not be taken into account in making the determination under section 402(a)(7), and child support supplements for any dependent child in the family (other than a family eligible by reason of the unemployment of the parent who is the principal earner) in the form of payments of the type described in section 406(b)(2) (which in such a case shall be without regard to clauses (A) and (D) thereof) or section 472 will be made unless the State agency, after making reasonable efforts, is unable to locate an appropriate individual to whom such payments can be made;

(B) in the case of an individual who is the principal earner in a family that is eligible for child support supplements by reason of the unemployment of such principal earner who so fails (or refuses), child support supplements shall be denied to all members of the family;

(C) in the case of a child who is the only child in the family receiving child support supplements who so fails (or refuses), child support supplements with respect to such family shall be denied;

(D) in the case of a child who is not the only child in the family receiving child support supplements who so fails (or refuses), child support supplements with respect to such child shall be denied and such child's needs shall not be taken into

account in making the determination under section 402(a)(7); and

(E) in the case of an individual (living in the same household as a child or relative) who so fails (or refuses), such individual's needs shall not be taken into account in making the determination under section 402(a)(7)).

In the case of an individual described in subsection (c)(3), no sanction shall be imposed under this section on the basis of refusal to accept employment if the employment would require such individual to work more than 24 hours a week. For purposes of this subsection, in any situation where child care (or day care for any incapacitated individual living in the same home as a dependent child) is necessary for an individual's participation in the program or acceptance of employment, the lack of such care shall be considered good cause for refusing to participate in such program or accept such employment.

(2)(A) Any sanction described in paragraph (1) shall continue—

(i) in the case of the individual's first failure to comply, until the failure to comply ceases;

(ii) in the case of the individual's second failure to comply, until the failure to comply ceases or three months (whichever is longer); and

(iii) in the case of any subsequent failure to comply, until the failure to comply ceases or six months (whichever is longer).

(B) The State agency shall notify a recipient of any failure to comply under this subsection and shall indicate (as part of such notice) what action or actions must be taken to terminate the sanction.

(j) Each State shall establish a conciliation procedure for the resolution of disputes involving an individual's participation in the program and (if any such dispute is not resolved through conciliation) shall provide an opportunity for a hearing with respect to any such dispute, which hearing may be provided through a hearing process established for purposes of resolving disputes with respect to the program or through the provision of a hearing pursuant to section 402(a)(4), but in no event shall child support supplements be suspended, reduced, discontinued, or terminated as a result of a dispute involving an individual's participation in the program until such individual has an opportunity for a hearing that meets the standards set forth by the United States Supreme Court in Goldberg v. Kelly, 397 U.S. 254 (1970).

(k)(1) Each State with a plan approved under this section shall be entitled to payments under section 403(k) for any fiscal year in an amount equal to the sum of the applicable percentages (specified in section 403(k)) of its expenditures to carry out the program (subject to limitations prescribed by or pursuant to this section on expenditures that may be included for purposes of determining payment under section 403(k)), but such payments for any fiscal year in the case of any State may not exceed the limitation determined under paragraph (2) with respect to the State.

(2) The limitation determined under this paragraph with respect to a State for any fiscal year is—

(A) the amount allotted to the State for fiscal year 1987 under part C of this title as then in effect, plus

(B) the amount that bears the same ratio to the amount specified in paragraph (3) for such fiscal year as the average monthly number of adult recipients (as defined in paragraph (4)) in the State in the preceding fiscal year bears to the average monthly number of such recipients in all the States for such preceding year.

(3) The amount specified in this paragraph is—

(A) $500,000,000 in the case of fiscal year 1989,

(B) $650,000,000 in the case of fiscal year 1990,

(C) $800,000,000 in the case of fiscal year 1991, and

(D) $1,000,000,000 in the case of fiscal year 1992 and each fiscal year thereafter;

reduced by the aggregate amount allotted to all the States for fiscal year 1987 pursuant to part C of this title as then in effect.

(4) For purposes of this subsection, the term "adult recipient" in the case of any State means an individual other than a dependent child (unless such child is the custodial parent of another dependent child) whose needs are met (in whole or in part) with child support supplements.

(l)(1) If, within six months after the date of enactment of the Family Security Act of 1988, an Indian tribe applies to the Secretary to conduct a work, training, and education program to carry out the purpose of this section, and the Secretary approves such tribe's application, the maximum amount that may be paid under section 403(k) to the State in which such tribe is located shall be reduced by the Secretary in accordance with paragraph (2) and an amount equal to the amount of such reduction shall be paid directly to such Indian tribe (without the requirement of any nonfederal share) for the operation of its work, training, and education program.

(2) The amount of the reduction under paragraph (1) with respect to any State in which is located an Indian tribe with an application approved under such paragraph shall be an amount equal to the amount that bears the same ratio to the maximum amount that could be paid under section 403(k) to the State as the number of the adult members of such Indian tribe receiving child support supplements under this part bears to the number of all such adult recipients in the State.

(3) The work, training, and education program set forth in the application of an Indian tribe under paragraph (1) need not meet any requirement of the program under this section that the Secretary determines is inappropriate with respect to such work, training, and education program.

(4) The work, education, and training program of any Indian tribe may be terminated voluntarily by such tribe or may be terminated by the Secretary upon a finding that the tribe is not conducting such program in substantial conformity with the terms of the application approved by the Secretary, and the maximum amount that may be paid under section 403(k) to the State within which the tribe is located (as reduced pursuant to paragraph (1)) shall be increased by any portion of the amount retained by the Secretary with respect to such program (and not payable to such tribe for obligations already incurred). The reduction under paragraph (1) shall in no event apply to a State for any fiscal year beginning after such pro-

gram is terminated if no other such program remains in operation in the State.

(5)(A) Subject to subparagraph (B), for purposes of this subsection, an Indian tribe is any tribe, band, nation, or other organized group or community of Indians, including any Alaska Native village or regional or village corporation (as defined in, or established pursuant to, the Alaska Native Claims Settlement Act), that—

(i) is recognized as eligible for the special progams and services provided by the United States to Indians because of their status as Indians; and

(ii) for which a reservation (as defined in section 3(d) of the Indian Financing Act of 1974) exists.

(B) The references to "Alaska Native village" and "regional or village corporation" in subparagraph (A) shall not be construed to grant or defer any status or powers other than those expressly granted in this subsection. Nothing in subparagraph (A) shall be construed to validate or invalidate any claim by Alaska Natives of sovereign authority over lands or people.

LIMITATIONS ON CHILD CARE FOR FAMILIES AFTER LOSS OF ELIGIBILITY

SEC. 418. The limitations described in this section with respect to child care provided under section 402(g)(1)(A)(ii) are as follows:

(1) A family shall only be eligible for such care—

(A) if such family was receiving child support supplements under this part in at least three of the six months immediately preceding the month in which the family becomes ineligible for such supplements;

(B)(i) for a period of nine months after the last month for which the family received child support supplements under this part, and

(ii) for a total of nine months in any 36-month period (regardless of whether such months are consecutive); and

(C) for a month in which the family includes a child who is (or would if need be) a dependent child.

(2) A family shall not be eligible for such care for any month beginning after the parent or other caretaker relative of the family has—

(A) submitted false or misleading information in order to obtain child support supplements under this part;

(B) been subject to a sanction under section 417(i) (but only if such parent or caretaker relative has been subject to the sanction within the preceding 12 months);

(C) without good cause, terminated his or her employment, refused to accept employment, or reduced his or her hours of employment; or

(D) failed to cooperate with the State as required under subparagraph (B) or (C) of section 402(a)(26).

(3) A family shall contribute to the costs of such care in accordance with a sliding scale based on ability to pay that is established by the State and approved by the Secretary.

ASSISTANT SECRETARY FOR FAMILY SUPPORT

SEC. 419. The programs under this part and part D shall be administered by an Assistant Secretary for Family Support within the Department of Health and Human Services, who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall be in addition to any other Assistant Secretary of Health and Human Services provided by law.

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ALLOTMENTS TO STATES

SEC. 421. [42 U.S.C. 621] (a) The sum appropriated pursuant to section 420 for each fiscal year shall be allotted by the Secretary for use by cooperating State public welfare agencies which have plans developed jointly by the State agency and the Secretary as follows: He shall first allot $70,000 to each State, and shall then allot to each State an amount which bears the same ratio to the remainder of such sum as the product of (1) the population of the State under the age of twenty-one and (2) the allotment percentage of the State (as determined under this section) bears to the sum of the corresponding products of all the States.

(b) The "allotment percentage" for any State shall be 100 per centum less the State percentage; and the State precentage shall be the percentage which bears the same ratio to 50 per centum as the per capita income of such State bears to the per capita income of the United States; except that (1) the allotment percentage shall in no case be less than 30 per centum or more than 70 per centum, and (2) the allotment percentage shall be 70 per centum in the case of Puerto Rico, the Virgin Islands, [and Guam] *Guam, and American Samoa.*

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[PART C—WORK INCENTIVE PROGRAM FOR RECIPIENTS OF AID UNDER STATE PLAN APPROVED UNDER PART A

[PURPOSE

[SEC. 430. [42 U.S.C. 630] The purpose of this part is to require the establishment of a program utilizing all available manpower services, including those authorized under other provisions of law, under which individuals receiving aid to families with dependent children will be furnished incentives, opportunities, and necessary services in order for (1) the employment of such individuals in the regular economy, (2) the training of such individuals for work in the regular economy, and (3) the participation of such individuals in public service employment, thus restoring the families of such individuals to independence and useful roles in their communities. It is expected that the individuals participating in the program established under this part will acquire a sense of dignity, self-worth, and confidence which will flow from being recognized as a wage-earning member of society and that the example of a working adult in these families will have beneficial effects on the children in such families.

[APPROPRIATION

[SEC. 431. [42 U.S.C. 631] (a) There is hereby authorized to be appropriated to the Secretary of Health and Human Services for each fiscal year a sum sufficient to carry out the purposes of this part. The Secretary of Health and Human Services shall transfer to the Secretary of Labor from time to time sufficient amounts, out of the moneys appropriated pursuant to this section, to enable him to carry out such purposes.

[(b) Of the amounts expended from funds appropriated pursuant to subsection (a) for any fiscal year (commencing with the fiscal year ending June 30, 1973), not less than 33⅓ per centum thereof shall be expended for carrying out the program of on-the-job training referred to in section 432(b)(1)(B) and for carrying out the program of public service employment referred to in section 432(b)(3).

[(c) Of the sums appropriated pursuant to subsection (a) to carry out the provisions of this part for any fiscal year (commencing with the fiscal year ending June 30, 1973), not less than 50 percent shall be allotted among the States in accordance with a formula under which each State receives (from the total available for such allotment) an amount which bears the same radio to such total as—

[(1) in the case of the fiscal year ending June 30, 1973, and the fiscal year ending June 30, 1974, the average number of recipients of aid to families with dependent children in such State during the month of January last preceding the commencement of such fiscal year bears to the average number of such recipients during such month in all the States; and

[(2) in the case of the fiscal year ending June 30, 1975, or in the case of any fiscal year thereafter, the average number of individuals in such State who, during the month of January last preceding the commencement of such fiscal year, are registered pursuant to section 402(a)(19)(A) bears to the average number of individuals in all States who, during such month, are so registered.

[ESTABLISHMENT OF PROGRAMS

[SEC. 432. [42 U.S.C. 632] (a) The Secretary of Labor (hereinafter in this part referred to as the Secretary) shall, in accordance with the provisions of this part, establish work incentive programs (as provided for in subsection (b) of this section) in each State and in each political subdivision of a State in which he determines there is a significant number of individuals who have attained age 16 and are receiving aid to families with dependent children. In other political subdivisions, he shall use his best efforts to provide such programs either within such subdivisions or through the provision of transportation for such persons to political subdivisions of the State in which such programs are established.

[(b) Such programs shall include, but shall not be limited to, (1)(A) a program placing as many individuals as is possible in employment, which may include intensive job search services, including participation in group job search activities, and (B) a program utilizing on-the-job training positions for others, (2) a program of institutional and work experience training for those individuals for whom such training is likely to lead to regular employment, and (3)

a program of public service employment for individuals for whom a job in the regular economy cannot be found.

[(c) In carrying out the purposes of this part of the Secretary may make grants to, or enter into agreements with, public or private agencies or organizations (including Indian tribes with respect to Indians on a reservation), except that no such grant or agreement shall be made to or with a private employer for profit or with a private nonprofit employer not organized for a public purpose for purposes of the work experience program established by clause (2) of subsection (b).

[(d) In providing the training and employment services and opportunities required by this part, the Secretary shall, to the maximum extent feasible, assure that such services and opportunities are provided by using all authority available under this or any other Act. In order to assure that the services and opportunities so required are provided, the Secretary (1) shall assure, when appropriate, that registrants under this part are referred for training and employment services under the Job Training Partnership Act, and (2) may use the funds appropriated under this part to provide programs required by this part through such other Acts to the same extent and under the same conditions (except as regards the Federal matching percentage) as if appropriated under such other Act and, in making use of the programs of other Federal, State, or local agencies (public or private), the Secretary may reimburse such agencies for services rendered to individuals under this part to the extent that such services and opportunities are not otherwise available on a nonreimbursable basis.

[(e) The Secretary shall take appropriate steps to assure that the present level of manpower services available under the authority of other statutes to recipients of aid to families with dependent children is not reduced as a result of programs under this part.

[(f)(1) The Secretary shall utilize the services of each private industry council (as established under the Job Training Partnership Act) to identify and provide advice on the types of jobs available or likely to become available in the service delivery area of such council.

[(2) The Secretary shall not conduct, in any area, institutional training under any program established pursuant to subsection (b) of any type which is not related to jobs of the type which are or are likely to become available in such area as determined by the Secretary after taking into account information provided by the private industry council for such area.

[OPERATION OF PROGRAM

[SEC. 433. [42 U.S.C. 633] (a) The Secretary shall provide a program of testing and counseling for all persons certified to him by a State, pursuant to section 402(a)(19)(G), and shall select those persons whom he finds suitable for the programs established by clauses (1) and (2) of section 432(b). Those not so selected shall be deemed suitable for the program established by clause (3) of such section 432(b) unless the Secretary finds that there is good cause for an individual not to participate in such program. The Secretary, in carrying out such program for individuals certified to him

under section 402(a)(19)(G), shall accord priority to such individuals in the following order, taking into account employability potential: first, unemployed parents who are the principal earners (as defined in section 407); second, mothers, whether or not required to register pursuant to section 402(a)(19)(A), who volunteer for participation under a work incentive program; third, other mothers, and pregnant women, registered pursuant to section 402(a)(19)(A), who are under 19 years of age; fourth, dependent children and relatives who have attained age 16 and who are not in school or engaged in work or manpower training; and fifth, all other individuals so certified to him.

[(b)(1) For each State the Secretary shall develop jointly with the administrative unit of such State administering the special program referred to in section 402(a)(19)(G) a statewide operational plan.

[(2) The statewide operational plan shall prescribe how the work incentive program established by this part will be operated at the local level, and shall indicate (i) for each area within the State the number and type of positions which will be provided for training, for on-the-job training, and for public service employment, (ii) the manner in which information provided by the private industry council under the Job Training Partnership Act for any such area will be utilied in the operation of such program, and (iii) the particular State agency or administrative unit thereof which will be responsible for each of the various activities and functions to be performed under such program. Any such operational plan for any State must be approved by the Secretary, the administrative unit of such State amdministering the special program referred to in section 402(a)(19)(G), and the regional joint committee (established pursuant to section 439) for the area in which such State is located.

[(3) The Secretary shall develop an employability plan for each suitable person certified to him pursuant to section 402(a)(1)(G) which shall describe the education, training, work experience, and orientation which it is determined that such person needs to complete in order to enable him to become self-supporting.

[(c) The Secretary shall make maximum use of services available from other Federal and State agencies and, to the extent not otherwise available on an nonreimbursable basis, he may reimburse such agencies for services rendered to persons under this part.

[(d) To the extent practicable and where necessary, work incentive programs established by this part shall include, in addition to the regular counseling, testing, and referral available through the Federal-State Employment Service System, program orientation, basic education, training in communications and employability skills, work experience, institutional training, on-the-job training, job development, and special job placement and followup services, required to assist participants in securing and retaining employment and securing possibilities for advancement.

[(e)(1) In order to develop public service employment under the program established by section 432(b)(3), the Secretary shall enter into agreements with (A) public agencies, (B) private nonprofit organizations established to serve a public purpose, and (C) Indian tribes with respect to Indians on A reservation, under which indi-

viduals deemed suitable for participation in such a program will be provided work which serves a useful public purpose and which would not otherwise be performed by regular employees.

[(2) Such agreements shall provide—

[(A) for the payment by the Secretary to each employer, with respect to public service employment performed by any individual for such employer, of an amount not exceeding 100 percent of the cost of providing such employment to such individual during the first year of usch employment, an amount not exceeding 75 percent of the cost of providing such employment to such individual during the second year of such employment, and an amount not exceeding 50 percent of the cost of providing such employment to such individual during the third year of such employment;

(B) the hourly wage rate and the number of hours per week individuals will be scheduled to work in public service employment for such employer;

[(C) that the Secretary will have such access to the premises of the employer as he finds necessary to determine whether such employer is carrying out his obligations under the agreement and this part; and

[(D) that the Secretary may terminate any agreement under this subection at any time.

[(3) Repealed.]

[(4) No wage rates provided under any agreement entered into under this subsection shall be lower than the applicable minimum wage for the particular work concerned.

[(f) Before entering into a project under section 432(b)(3), the Secretary shall have reasonable assurances that—

[(1) appropriate standards for the health, safety, and other conditions applicable to the performance of work and training on such project are established and will be maintained,

[(2) such project will not result in the displacement of employed workers,

[(3) with respect to such project the conditions of work training education, and employment are reasonable in the light of such factors as the type of work, geographical region, and proficiency of the participant,

[(4) appropriate workmen's compensation protection is provided to all participants.

[(g) Where an individual, certified to the Secretary pursuant to section 402(a)(19)(G) refuses without good cause to accept employment or participate in a project under a program established by this part, the Secretary shall (after providing opportunity for fair hearing) notify the State agency which certified such individual and submit such other information as he may have with respect to such refusal.

[(h) With respect to individuals who are participants in public service employment under the program established by section 432(b)(3), the Secretary shall periodically (but at least once every six months) review the employment record of each such individual while on such special work project and on the basis of such record and such other information as he may acquire determine whether it would be feasible to place such individual in regular employment

or on any of the projects under the programs established by section 432(b) (1) and (2).

[(i) In planning for activities under this section, the chief executive officer of each State shall make every effort to coordinate such activities with activities provided by the appropriate private industry council and chief elected official or officials under the Job Training Partnership Act.

[INCENTIVE PAYMENT

[SEC. 434. [42 U.S.C. 634] (a) The Secretary is authorized to pay to any participant under a program established by section 432(b)(2) an incentive payment of not more than $30 per month, payable in such amounts and at such times as the Secretary prescribes.

[(b) The Secretary is also authorized to pay, to any member of a family participating in manpower training under this part, allowances for transportation and other costs incurred by such member, to the extent such costs are necessary to and directly related to the participation by such member in such training.

[FEDERAL ASSISTANCE

[SEC. 435. [42 U.S.C. 635] (a) Federal assistance under this part shall not exceed 90 per centum of the costs of carrying out this part. Non-Federal contributions may be cash or in kind, fairly evaluated, including but not limited to plant, equipment, and services.

[(b) Costs of carrying out this part include costs of training, supervision, materials, administration, incentive payments, transportation, and other items as are authorized by the Secretary, but may not include any reimbursement for time spent by participants in work, training, or other participation in the program.

[PERIOD OF ENROLLMENT

[SEC. 436. [42 U.S.C. 636] (a) The program established by section 432(b)(2) shall be designed by the Secretary so that the average period of enrollment under all projects under such program throughout any area of the United States will not exceed one year.

[(b) Services provided under this part may continue to be provided to an individual for such period as the Secretary determines (in accordance with regulations prescribed jointly by him and the Secretary of Health and Human Services) is necessary to qualify him fully for employment even though his earnings disqualify him from aid under a State plan approved under section 402.

[RELOCATION OF PARTICIPANTS

[SEC. 437. [42 U.S.C. 637] The Secretary may assist participants to relocate their place of residence when he determines such relocation is necessary in order to enable them to become permanently employable and self-supporting. Such assistance shall be given only to participants who concur in their relocation and who will be employed at their place of relocation at wage rates which will meet at least their full need as determined by the State to which they will be relocated. Assistance under this section shall not exceed the reasonable costs of transportation for participants,

their dependents, and their household belongings plus such relocation allowance as the Secretary determines to be reasonable.

[PARTICIPANTS NOT FEDERAL EMPLOYEES

[SEC. 438. [42 U.S.C. 638] Participants in programs established by this part shall be deemed not to be Federal employees and shall not be subject to the provisions of laws relating to Federal employment, including those relating to hours of work, rates of compensation, leave, unemployment compensation, and Federal employee benefits.

[RULES AND REGULATIONS

[SEC. 439. [42 U.S.C. 639] The Secretary and the Secretary of Health and Human Services shall, not later than July 1, 1972, issue regulations to carry out the purposes of this part. Such regulations shall provide for the establishment, jointly by the Secretary and the Secretary of Health and Human Services, of (1) a national coordination committee the duty of which shall be to establish uniform reporting and similar requirements for the administration of this part, and (2) a regional coordination committee for each region which shall be responsible for review and approval of statewide operational plans developed pursuant to section 433(b).

[ANNUAL REPORT

[SEC. 440. [42 U.S.C. 640] The Secretary shall annually report to the Congress (with the first such report being made on or before July 1, 1970) on the work incentive programs established by this part.

[EVALUATION AND RESEARCH

[SEC. 441. [42 U.S.C. 640] The Secretary shall (jointly with the Secretary of Health and Human Services) provide for the continuing evaluation of the work incentive programs established by this part, including their effectiveness in achieving stated goals and their impact on other related programs. He also may conduct research regarding ways to increase the effectiveness of such programs. He may, for this purpose, contract for independent evaluations of and research regarding such programs or individual projects under such programs. For purposes of sections 435 and 443, the costs of carrying out this section shall not be regarded as costs of carrying out work incentive programs established by this part. Nothing in this section shall be construed as authorizing the Secretary to enter into any contract with any organization after June 1, 1970, for the dissemination by such organization of information about programs authorized to be carried on under this part.

[TECHNICAL ASSISTANCE FOR PROVIDERS OF EMPLOYMENT OR TRAINING

[SEC. 442. [42 U.S.C. 642] The Secretary is authorized to provide technical assistance to providers of employment or training to enable them to participate in the establishment and operation of programs authorized to be established by section 432(b).

[COLLECTION OF STATE SHARE

[SEC. 443. [42 U.S.C. 643] If a non-Federal contribution of 10 per centum of the costs of the work incentive programs established by this part is not made in any State (as specified in section 402(a)), the Secretary of Health and Human Services may withhold any action under section 404 because of the State's failure to comply substantially with a provision required by section 402. If the Secretary of Health and Human Services does withhold such action, he shall, after reasonable notice and opportunity for hearing to the appropriate State agency or agencies, withhold any payments to be made to the State under sections 3(a), 403(a), 1003(a), 1403(a), 1603(a), and 1903(a) until the amount so withheld (including any amounts contributed by the State pursuant to the requirement in section 402(a)(19)(C)) equals 10 per centum of the costs of such work incentive programs. Such withholding shall remain in effect until such time as the Secretary has assurances from the State that such 10 per centum will be contributed as required by section 402. Amounts so withheld shall be deemed to have been paid to the State under such sections and shall be paid by the Secretary of Health and Human Services to the Secretary. Such payment shall be considered a non-Federal contribution for purposes of section 435.

[AGREEMENTS WITH OTHER AGENCIES PROVIDING ASSISTANCE TO FAMILIES OF UNEMPLOYED PARENTS

[SEC. 444. [42 U.S.C. 644] (a) The Secretary is authorized to enter into an agreement (in accordance with the succeeding provisions of this section) with any qualified State agency (as described in subsection (b)) under which the program established by the preceding sections of this part C will (except as otherwise provided in this section) be applicable to individuals certified by such State agency in the same manner, to the same extent, and under the same conditions as such program is applicable with respect to individuals certified to the Secretary by a State agency administering or supervising the administration of a State plan approved by the Secretary of Health and Human Services under part A of this title.

[(b) A qualified State agency referred to in subsection (a) is a State agency which is charged with the administration of a program—

[(1) the purpose of which is to provide aid or assistance to the families of unemployed parents,

[(2) which is not established pursuant to part A of title IV of the Social Security Act,

[(3) which is financed entirely from funds appropriated by the Congress, and

[(4) none of the financing of which is made available under any program established pursuant to title V of the Economic Opportunity Act.

[(c)(1) Any agreement under this section with a qualified State agency shall provide that such agency will, with respect to all individuals receiving aid or assistance under the program of aid or assistance to families of unemployed parents administered by such agency, comply with the requirements imposed by section 402(a)(19)

in the same manner and to the same extent as if (A) such qualified agency were the agency in such State administering or supervising the administration of a State plan approved under part A of this title, and (B) individuals receiving aid or assistance under the program administered by such qualified agency were recipients of aid under a State plan which is so approved.

[(2) Any agreement entered into under this section shall remain in effect for such period as may be specified in the agreement by the Secretary and the qualified State agency, except that, whenever the Secretary determines, after reasonable notice and opportunity for hearing to the qualified State agency, that such agency has failed substantially to comply with its obligations under such agreement, the Secretary may suspend operation of the agreement until such time as he is satisfied that the State agency will no longer fail substantially to comply with its obligations under such agreement.

[(3) Any such agreement shall further provide that the agreement will be inoperative for any calendar quarter if, for the preceding calendar quarter, the maximum amount of benefits payable under the program of aid or assistance to families of unemployed parents administered by the qualified State agency which is a party to such agreement is lower than the maximum amount of benefits payable under such program for the quarter which ended September 30, 1967.

[(d) The Secretary shall, at the request of any qualified State agency referred to in subsection (a) of this section and upon receipt from it of a list of the names of individuals referred to the Secretary, furnish to such agency the names of each individual on such list participating in public service employment under section 433(a)(3) whom the Secretary determines should continue to participate in such employment. The Secretary shall not comply with any such request with respect to an individual on such list unless such individual has been certified to the Secretary by such agency under section 402(a)(19)(G) for a period of at least six months.

[WORK INCENTIVE DEMONSTRATION PROGRAM

[SEC. 445. [42 U.S.C. 645] (a) Notwithstanding any other provision of this part and part A of this title, any State may elect as an alternative to the work incentive program otherwise provided in this part, and subject to the provisions of this section, to operate a work incentive demonstration program for the purpose of demonstrating single agency administration of the work-related objectives of this Act, and to receive payments under the provisions of this section.

[(b)(1) Not later than [June 30, 1987] *December 31, 1989*, the Governor of a State which desires to operate a work incentive demonstration program under this section shall submit to the Secretary of Health and Human Services a letter of application stating such intent. Accompanying the letter of application shall be a State program plan which must——

[(A) provide that the agency conducting the demonstration program within the State shall be the single State agency

which administers or supervises the administration of the State plan under part A of this title;

[(B) provide that all persons eligible for or receiving assistance under the aid to families with dependent children program shall be eligible to participate in, and shall be required to participate in, the work incentive demonstration program, subject to the same criteria for participation in such demonstration program as are in effect under this part and part A during the month before the month in which the demonstration program commences, but subject to waiver of such criteria as provided under section 1115;

[(C) provide that the criteria for participation in the work incentive demonstration program shall be uniform throughout the State;

[(D) provide a statement of the objectives which the State expects to meet through operation of a work incentive demonstration program, with emphasis on how the State expects to maximize client placement in nonsubsidized private sector employment;

[(E) describe the techniques to be used to achieve the objectives of the work incentive demonstration program, which may include but shall not be limited to: maximum periods of participation, job training, job find clubs, grant diversion to either public or private sector employers, services contracts with State employment services, service delivery areas under the Job Training Partnership Act, or private placement agencies, targeted jobs tax credit outreach campaigns, and performance-based placement incentives; and

[(F) set forth the format and frequency of reporting of information regarding operation of the work incentive demonstration program.

[(2) A State's application to participate in the work incentive demonstration program shall be deemed approved unless the Secretary of Health and Human Services notifies the State in writing of disapproval within forty-five days of the date of application. The Secretary of Health and Human Services shall set forth the reasons for disapproval and provide an opportunity for resubmission of the plan within forty-five days of the receipt of the notice of disapproval. An application shall not be finally disapproved unless the Secretary of Health and Human Services determines that the State's program plan would be less effective than the requirements set forth in this title, other than this section.

[(3) The Secretary of Health and Human Services shall furnish copies of approved plans, statistical reports, and evaluation reports to the Secretary of Labor.

[(c) Subject to the statement of objectives and description of techniques to be used in implementing its work incentive demonstration program, as set forth in its program plan, a State shall be free to design a program which best addresses its individual needs, makes best use of its available resources, and recognizes its labor market conditions. Other than criteria for participation in the State's work incentive demonstration project, which shall be uniform throughout the State, the components of the program may vary by geographic area or by political subdivision.

[(d) A State's work incentive demonstration program, if initially approved, shall be in force for a three-year period, except that in the case of a State which has submitted a letter of application on or before [June 30, 1987] *December 31, 1989*, such program may continue in force until [June 30, 1988] *September 30, 1990*. During this period, the State may elect to use up to six months for planning purposes. During such planning period, all requirements of part A and this part C shall remain in full force and effect.

[(e) The Secretary of Health and Human Services shall conduct two evaluations of a State's work incentive demonstration program. The first evaluation shall be conducted at the conclusion of the first twelve months of operation of the demonstration program. The second evaluation shall be conducted three years from the date of the Secretary's approval of the demonstration program. Both evaluations shall compare placement rates during the demonstration program with placement rates achieved during a number of previoius years, to be determined by the Secretary of Health and Human Services.

[(f)(1) For each year of its demonstration program, a State which is operating such program shall be funded in an amount equal to its initial annual 1981 allocation under the work incentive program set forth in this part, plus any other Federal funds which the State may properly receive under any statute for establishing work programs for recipients of aid to families with dependent children.

[(2) Such funds shall only be used by the State for administering and operating its work incentive demonstration program. These funds shall not be used for direct grants of assistance under the aid to families with dependent children program.

[(3) The Secretary of Health and Human Services shall conduct, in consultation with the States, a thorough study of the allocation formula described in paragraph (1) of this subsection and report to Congress no later than April 1, 1985, on the findings of this study with recommendations, if appropriate, for modifying the allocation formula to take into account State performance and to provide for the equitable distribution of funds.

[(g) Earnings derived from participation in a State's work incentive demonstration program shall not result in a determination of financial ineligibility for assistance under the aid to families with dependent children program.]

* * * * * * *

DUTIES OF THE SECRETARY

SEC. 452. [42 U.S.C. 652] (a) The Secretary shall establish, within the Department of Health and Human Services a separate organizational unit, under the direction of a designee of the Secretary, who shall report directly to the Secretary and who shall—

* * * * * * *

(10) not later than three months after the end of each fiscal year, beginning with the year 1977, submit to the Congress a full and complete report on all activities undertaken pursuant to the provisions of this part, which report shall include, but not be limited to, the following:

(A) * * *

* * * * * * *

(C) the following data, with the data required under each clause being separately stated for cases where the child is receiving [aid to families with dependent children] *aid in the form of child support supplements* (or foster care maintenance payments under part E), cases where the child was formerly receiving such aid or payments and the State is continuing to collect support assigned to it under section 402(a)(26) or 471(a)(17), and all other cases under this part:

* * * * * * *

(d)(1) [The] *Except as provided in paragraph (3), the* Secretary shall not approve the initial and annually updated advance [automatic] *automated* data processing planning document, referred to in section 454(16), unless he finds that such document, when implemented, will generally carry out the objectives of the management system referred to in such subsection, and such document—

* * * * * * *

(2)[(A)] The Secretary shall through the separate organizational unit established pursuant to subsection (a), on a continuing basis, review, assess, and inspect the planning, design, and operation of, management information systems referred to in section 455(a)(1)(B), with a view to determining whether, and to what extent, such systems meet and continue to meet requirements imposed under paragraph (1) and the conditions specified under section 454(16).

[(B) If the Secretary finds with respect to any statewide management information system referred to in section 455(a)(1)(B) that there is a failure substantially to comply with criteria, requirements, and other undertakings, prescribed by the advance automatic data processing planning document theretofore approved by the Secretary with respect to such system, then the Secretary shall suspend his approval of such document until there is no longer any such failure of such system to comply with such criteria, requirements, and other undertakings so prescribed.]

(3) The Secretary may waive any requirement of paragraph (1) or any condition specified under section 454(16) if a State demonstrates to the satisfaction of the Secretary that the State has an alternative system or systems that enable the State, for purposes of section 403(h), to be in substantial compliance with other requirements of this part.

* * * * * * *

(g)(1) A State's programs under this part shall be found, for purposes of section 403(h), not to have complied substantially with the requirements of this part unless, for any fiscal year beginning on or after October 1, 1991, its paternity establishment percentage for such fiscal year equals or exceeds—

(A) 50 percent;

(B) the paternity establishment percentage of the State for fiscal year 1988, increased by the applicable number of percentage points; or

(C) the paternity establishment percentage determined with respect to all States for such fiscal year.

(2) For purposes of this section—

(A) the term "paternity establishment percentage" means, with respect to a State (or all States, as the case may be) for a fiscal year, the ratio (expressed as a percentage) that the total number of children—

(i) who have been born out of wedlock,

(ii)(I) except as provided in the last sentence of this paragraph, with respect to whom child support supplements are being paid under the State's plan approved under part A (or under all such plans) for such fiscal year or (II) with respect to whom services are being provided under the State's plan approved under this part (or under all such plans) for the fiscal year pursuant to an application submitted under section 454(6), and

(iii) the paternity of whom has been established,

bears to the total number of children who have been born out of wedlock and (except as provided in such last sentence) with respect to whom child support supplements are being paid under the State's plan approved under part A (or under all such plans) for such fiscal year or with respect to whom services are being provided under the State's plan approved under this part (or under all such plans) for the fiscal year pursuant to an application submitted under section 454(6); and

(B) the applicable number of percentage points means, with respect to a fiscal year (beginning with fiscal year 1991), 3 percentage points multiplied by the number of fiscal years after fiscal year 1989 and before the beginning of such fiscal year.

For purposes of subparagraph (A), the total number of children shall not include any child who is a dependent child by reason of the death of a parent or any child with respect to whom an applicant or recipient is found to have good cause for refusing to cooperate under section 402(a)(26).

(3)(A) The requirements of this subsection are in addition to and shall not supplant any other requirement (that is not inconsistent with such requirements) established in regulations by the Secretary for the purpose of determining (for purposes of section 403(h)) whether the program of a State operated under this part shall be treated as complying substantially with the requirements of this part.

(B) The Secretary may modify the requirements of this subsection to take into account such additional variables as the Secretary identifies (including the percentage of children born out-of-wedlock in a State) that affect the ability of a State to meet the requirements of this subsection.

(C) The Secretary shall submit an annual report to the Congress that sets forth the data upon which the paternity establishment percentages for States for a fiscal year are based, lists any additional variables the Secretary has identified under subparagraph (A), and describes State performance in establishing paternity.

(h) The standards required by subsection (a)(1) shall include standards establishing time limits governing the period or periods within which a State must accept and respond to requests (from States, jurisdictions thereof, or individuals who apply for services

furnished by the State agency under this part or with respect to whom assignment under section 402(a)(26) is in effect) for assistance in establishing and enforcing support orders, including requests to locate absent parents, establish paternity, and initiate proceedings to establish and collect child support awards.

PARENT LOCATOR SERVICE

SEC. 453. [42 U.S.C. 653] (a) The Secretary shall establish and conduct a Parent Locator Service, under the direction of the designee of the Secretary referred to in section 452(a), which shall be used to obtain and transmit to any authorized person (as defined in subsection (c)) information as to the whereabouts of any absent parent when such information is to be used to locate such parent for the purpose of enforcing support obligations against such parent.

* * * * * * *

(e)(1) Whenever the Secretary receives a request submitted under subsection (b) which he is reasonably satisfied meets the criteria established by subsections (a), (b), and (c), he shall promptly undertake to provide the information requested from the files and records maintained by any of the departments, agencies, or instrumentalities of the United States or of any State.

(2) Notwithstanding any other provision of law, whenever the individual who is the head of any department, agency, or instrumentality of the United States receives a request from the Secretary for information authorized to be provided by the Secretary under this section, such individual shall promptly cause a search to be made of the files and records maintained by such department, agency, or instrumentality with a view to determining whether the information requested is contained in any such files or records. If such search discloses the information requested, such individual shall immediately transmit such information to the Secretary, except that if any information is obtained the disclosure of which would contravene national policy or security interests of the United States or the confidentiality of census data, such information shall not be transmitted and such individual shall immediately notify the Secretary. If such search fails to disclose the information requested, such individual shall immediately so notify the Secretary. The costs incurred by any such department, agency, or instrumentality of the United States or of any State in providing such information to the Secretary shall be reimbursed by him. Whenever such services are furnished to an individual specified in subsection (c)(3), a fee shall be charged such individual. The fee so charged shall be used to reimburse the Secretary or his delegate for the expense of providing such services.

(3) The Secretary of Labor shall enter into an agreement with the Secretary to provide prompt access for the Secretary (in accordance with this subsection) to the wage and unemployment compensation claims information and data maintained by or for the Department of Labor or State employment security agencies.

* * * * * * *

STATE PLAN FOR CHILD AND SPOUSAL SUPPORT

SEC. 454. [42 U.S.C. 654] A State plan for child and spousal support must—

* * * * * * *

(4) provide that such State will undertake—

(A) * * *

* * * * * * *

(B) in the case of any child with respect to whom such assignment is effective, including an assignment with respect to a child on whose behalf a State agency is making foster care maintenance payments under part E, to secure support for such child from his parent (or from any other person legally liable for such support), and from such parent for his spouse (or former spouse) receiving [aid to families with dependent children] *aid in the form of child support supplements* (but only if a support obligation has been established with respect to such spouse, and only if the support obligation established with respect to the child is being enforced under the plan), utilizing any reciprocal arrangements adopted with other States (unless the agency administering the plan of the State under part A or E of this title determines in accordance with the standards prescribed by the Secretary pursuant to section 402(a)(26)(B) that it is against the best interests of the child to do so), except that when such arrangements and other means have proven ineffective, the State may utilize the Federal courts to obtain or enforce court orders for support;

(5) provide that, in any case in which support payments are collected for an individual with respect to whom an assignment under section 402(a)(26) is effective, such payments shall be made to the State for distribution pursuant to section 457 and shall not be paid directly to the family, and the individual will be notified [at least annually] *on a monthly basis (or on a quarterly basis for so long as the Secretary determines with respect to a State that requiring such notice on a monthly basis would impose an unreasonable administrative burden)* of the amount of the support payments collected; except that this paragraph shall not apply to such payments (except as provided in section 457(c)) for any month following the first month in which the amount collected is sufficient to make such family ineligible for assistance under the State plan approved under part A;

* * * * * * *

(16) provide[, at the option of the State,] *(subject to the last sentence of this section)* for the establishment, in accordance with an (initial and annually updated) advance [automatic] *automated* data processing planning document approved under section 452(d), of [an automatic] *a statewide automated* data processing and information retrieval system designed effectively and efficiently to assist management in the administration

of the State plan, in the State and localities thereof, so as (A) to control, account for, and monitor (i) all the factors in the support enforcement collection and paternity determination process under such plan (including, but not limited to, (I) identifiable correlation factors (such as social security numbers, names, dates of births, home addresses and mailing addresses (including postal ZIP codes) of any individual with respect to whom support obligations are sought to be established or enforced and with respect to any person to whom such support obligations are owning) to assure sufficient compatibility among the systems of different jurisdictions to permit periodic screening to determine whether such individual is paying or is obligated to pay support in more than one jurisdiction, (II) checking of records of such individuals on a periodic basis with Federal, intra- and inter-State, and local agencies, (III) maintaining the data necessary to meet the Federal reporting requirements on a timely basis, and (IV) delinquency and enforcement activities), (ii) the collection and distribution of support payments (both intra- and inter-State), the determination, collection, and distribution of incentive payments both inter- and intra-State, and the maintenance of accounts receivable on all amounts owed, collected and distributed, and (iii) the costs of all services rendered, either directly or by interfacing with State financial management and expenditure information, (B) to provide interface with records of the State's [aid to families with dependent children] *child support supplement program* in order to determine if a collection of a support payment causes a change affecting eligibility for or the amount of aid under such program, (C) to provide for security against unauthorized access to, or use of, the data in such system, (D) to facilitate ~~the development~~ and improvement of the income withholding and other procedures required under section 466(a) through the monitoring of support payments, the maintenance of accurate records regarding the payment of support, and the prompt provision of notice to appropriate officials with respect to any arrearages in support payments which may occur, and (E) to provide management information on all cases under the State plan from initial referral or application through collection and enforcement;

The State may allow the jurisdiction which makes the collection involved to retain any application fee under paragraph (6)(B) or any late payment fee under paragraph (21). *A State shall be required to provide the automated data processing and information retrieval system required under paragraph (16) not later than a date specified in the initial advance automated data processing planning document submitted under such paragraph (but in no event later than 10 years after the date such document is submitted to the Secretary).*

* * * * * * *

PAYMENTS TO STATES

SEC. 455. [42 U.S.C. 655] (a)(1) From the sums appropriated therefor, the Secretary shall pay to each State for each quarter an amount—

(A) equal to the percent specified in paragraph (2) of the total amounts expended by such State during such quarter for the operation of the plan approved under section 454, [and]

[(B) equal to 90 percent (rather than the percent specified in subparagraph (A)) of so much of the sums expended during such quarter as are attributable to the planning, design, development, installation or enhancement of an automatic data processing and information retrieval system (including in such sums the full cost of the hardware components of such system) which the Secretary finds meets the requirements specified in section 454(16), or meets such requirements without regard to clause (D) thereof;]

(B) in the case of a State that submits the initial advance automated data processing planning document required under section 454(16) not later than October 1, 1990, equal to 90 percent (rather than the percent specified in subparagraph (A)) of so much of the sums expended during any quarter beginning after the date on which such document is submitted and before the date on which the State is required (in accordance with the last sentence of section 454) to provide the automated data processing and information retrieval system as are attributable to the planning, design, development, or enhancement of such system (including in such sums the full cost of the hardware components of such system) if the Secretary finds that the system meets the requirements specified in section 454(16), and

(C) equal to 90 percent (rather than the percent specified in subparagraph (A)) of so much of the sums expended during such quarter as are attributable to laboratory costs incurred in determining paternity;

* * * * * * *

DISTRIBUTION OF PROCEEDS

SEC. 457. [42 U.S.C. 657] (a) The amounts collected as child support by a State pursuant to a plan approved under this part during the 15 months beginning July 1, 1975, shall be distributed as follows:

* * * * * * *

(b) The amounts collected as support by a State pursuant to a plan approved under this part during any fiscal year beginning after September 30, 1976, shall (subject to subsection (d)) be distributed as follows:

(1) [the first $50 of such amounts as are collected periodically which represent monthly support payments] *of such amounts as are collected periodically which represent monthly support payments, the first $50 of any payments for a month received in such month, and the first $50 of payments for each prior month received in that month which were made by the absent parent in the month when due* shall be paid to the family without affecting its eligibility for assistance or decreasing any amount otherwise payable as assistance to such family during such month;

* * * * * * *

(d) Notwithstanding the preceding provisions of this section, amounts collected by a State as child support for months in any period on behalf of a child for whom a public agency is making foster care maintenance payments under part E—

(1) * * *

* * * * * * *

(3) shall be retained by the State, if any portion of the amounts collected remains after making the payments required under paragraphs (1) and (2), to the extent that such portion is necessary to reimburse the State (with appropriate reimbursement to the Federal Government to the extent of its participation in the financing) for any past foster care maintenance payments (or payments of [aid to families with dependent children] *aid in the form of child support supplements*) which were made with respect to the child (and with respect to which past collections have not previously been retained);

INCENTIVE PAYMENTS TO STATES

SEC. 458. [42 U.S.C. 658] (a) * * *

* * * * * * *

(b)(1) Except as provided in paragraphs (2), (3), and (4), the incentive payment shall be equal to—

(A) 6 percent of the total amount of support collected under the plan during the fiscal year in cases in which the support obligation involved is assigned to the State pursuant to section 402(a)(26) or section 471(a)(17) (with such total amount for any fiscal year being hereafter referred to in this section as the State's "[AFDC] *CSS* collections" for that year), plus

(B) 6 percent of the total amount of support collected during the fiscal year in all other cases under this part (with such total amount for any fiscal year being hereafter referred to in this section as the State's "[non-AFDC] *non-CSS* collections" for that year).

(2) If subsection (c) applies with respect to a State's [AFDC] *CSS* collections or [non-AFDC] *non-CSS* collections for any fiscal year, the percent specified in paragraph (1)(A) or (B) (with respect to such collections) shall be increased to the higher percent determined under such subsection (with respect to such collections) in determining the State's incentive payment under this subsection for that year.

(3) The dollar amount of the portion of the State's incentive payment for any fiscal year which is determined on the basis of its [non-AFDC] *non-CSS* collections under paragraph (1)(B) (after adjustment under subsection (c) if applicable) shall in no case exceed—

(A) the dollar amount of the portion of such payment which is determined on the basis of its [AFDC] *CSS* collections under paragraph (1)(A) (after adjustment under subsection (c) if applicable) in the case of fiscal year 1986 or 1987;

(B) 105 percent of such dollar amount in the case of fiscal year 1988;

(C) 110 percent of such dollar amount in the case of fiscal year 1989; or

(D) 115 percent of such dollar amount in the case of fiscal year 1990 or any fiscal year thereafter.

(4) The Secretary shall make such additional payments to the State under this part, for fiscal year 1986 or 1987, as may be necessary to assure that the total amount of payments under this section and section 455(a)(1)(A) for such fiscal year is no less than 80 percent of the amount that would have been payable to that State and its political subdivisions for such fiscal year under this section and section 455(a)(1)(A) if those sections (including the amendment made by section 5(c)(2)(A) of the Child Support Enforcement Amendments of 1984) had remained in effect as they were in effect for fiscal year 1985.

(c) If the total amount of a State's [AFDC] *CSS* collections or [non-AFDC] *non-CSS* collections for any fiscal year bears a ratio to the total amount expended by the State in that year for the operation of its plan approved under section 454 for which payment may be made under section 455 (with the total amount so expended in any fiscal year being hereafter referred to in this section as the State's "combined [AFDC] *CSS/* [non-AFDC] *non-CSS* administrative costs" for that year) which is equal to or greater than 1.4, the relevant percent specified in subparagraph (A) or (B) of subsection (b)(1) (with respect to such collections) shall be increased to—

(1) 6.5 percent, plus

(2) one-half of 1 percent for each full two-tenths by which such ratio exceeds 1.4;

except that the percent so specified shall in no event be increased (for either [AFDC] *CSS* collections or [non-AFDC] *non-CSS* collections) to more than 10 percent. For purposes of the preceding sentence, laboratory costs incurred in determining paternity in any fiscal year may at the option of the State be excluded from the State's combined [AFDC] *CSS/* [non-AFDC] *non-CSS* administrative costs for that year.

* * * * * * *

REQUIREMENT OF STATUTORILY PRESCRIBED PROCEDURES TO IMPROVE EFFECTIVENESS OF CHILD SUPPORT ENFORCEMENT

SEC. 466. [42 U.S.C. 666] (a) In order to satisfy section 454(20)(A), each State must have in effect laws reuiring the use of the following procedures, consistent with this section and with regulations of the Secretary, to increase the effectiveness of the program which the State administers under this part:

* * * * * * *

(10)(A) Procedures to ensure review, and adjustment as appropriate in accordance with the guidelines established pursuant to section 467(a), of child support orders in effect in the State—

(i) beginning five years after the date of enactment of the Family Security Act of 1988 or such earlier date as the State may select, not later than 24 months after the establishment of the order or the most recent review—

(I) in the case of an order with respect to an individual with respect to whom an assignment under section 402(a)(26) is in effect, unless the State has determined, in accordance with regulations of the Secretary, that such a review would not be in the best interests of the child and neither parent has requested review, or

(II) in the case of any other order being enforced under this part, upon the request of either parent; and

(ii) during the period (if any) before clause (i) applies—

(I) in the case of an order with respect to an individual with respect to whom an assignment under section 402(a)(26) is in effect, pursuant to a plan of the State (to be submitted to the Secretary not later than one year after the date of enactment of the Family Security Act of 1988) indicating how and when a periodic review adjustment of such cases will be performed, or

(II) in the case of any other order being enforced under this part, not later than 24 months after the establishment of the order or the most recent review where either parent has requested such review and the State has determined (under such criteria as it may establish) that such review and adjustment would be appropriate.

(B) Procedures to ensure that, with respect to the review and adjustment under subparagraph (A)—

(i) each parent is notified at least 30 days prior to the commencement of a review under subparagraph (A);

(ii) each parent to whom clause (i)(II) of such subparagraph applies is notified of his or her right to request a review; and

(iii) each parent is notified of a proposed adjustment (or determination that there should be no change) in the child support award amount, and is afforded not less than 30 days after such notification to initiate proceedings to challenge such adjustment (or determination).

(b) The procedures referred to in subsection (a)(1) (relating to the withholding from income of amounts payable as support) must provide for the following:

(1) * * *

* * * * * * *

[(3) An absent parent shall become subject to such withholding, and the advance notice required under paragraph (4) shall be given, on the earliest of—

[(A) the date on which the payments which the absent parent has failed to make under such order are at least equal to the support payable for one month,

[(B) the date as of which the absent parent requests that such withholding begin, or

[(C) such earlier date as the State may select.]

(3)(A) The wages of an absent parent shall be subject to such withholding, regardless of whether support payments by such parent are in arrears, in the case of a support order issued or modified on or after the first day of the twenty-fifth month be-

ginning after the date of enactment of the Family Security Act of 1988, on the effective date of the order; except that such wages shall not be subject to such withholding under this subparagraph if the State finds good cause not to require such withholding, or (in the case of an order that is not an order with respect to an individual with respect to whom an assignment under section 402(a)(26) is in effect) both parents have agreed to an alternative arrangement.

(B) The wages of an absent parent shall become subject to such withholding, in the case of wages not subject to withholding under subparagraph (A), on the date on which the payments which the absent parent has failed to make under a support order are at least equal to the support payable for one month or, if earlier, and without regard to whether there is an arrearage, the earliest of—

(i) the date as of which the absent parent requests that such withholding begin,

(ii) the date as of which the custodial parent requests that such withholding begin, if the State determines, in accordance with such procedures and standards as it may establish, that the request should be approved, or

(iii) such earlier date as the State may select.

* * * * * * *

STATE GUIDELINES FOR CHILD SUPPORT AWARDS

SEC. 467. [42 U.S.C. 667] (a) Each State, as a condition for having its State plan approved under this part, must establish guidelines for child support award amounts within the State. The guidelines may be established by law or by judicial or administrative action, *and shall be reviewed at least once every five years to ensure that their application results in the determination of appropriate child support award amounts.*

(b) The guidelines established pursuant to subsection (a) shall be made available to all judges and other officials who have the power to determine child support awards within such State [, but need not be binding upon such judges or other officials] *and shall be applied by such judges and other officials in determining the amount of any such award unless the judge or official, pursuant to criteria established by the State, makes a finding that there is good cause for not applying the guidelines.*

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PART E—FEDERAL PAYMENTS FOR FOSTER CARE AND ADOPTION ASSISTANCE

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STATE PLAN FOR FOSTER CARE AND ADOPTION ASSISTANCE

SEC. 471. [42 U.S.C. 671] (a) In order for a State to be eligible for payments under this part, it shall have a plan approved by the Secretary which—

* * * * * * *

(8) provides safeguards which restrict the use of or disclosure of information concerning individuals assisted under the State plan to purposes directly connected with (A) the administration of the plan of the State approved under this part, the plan or program of the State under part [A, B, C, or D] *A, B, or D* of this title or under title I, V, X, XIV, XVI (as in effect in Puerto Rico, Guam, and the Virgin Islands), XIX, or XX, or the supplemental security income program established by title XVI,

* * * * * * *

FOSTER CARE MAINTENANCE PAYMENTS PROGRAM

SEC. 472. [42 U.S.C. 672] (a) Each State with a plan approved under this part shall make foster care maintenance payments (as defined in section 475(4)) under this part with respect to a child who would meet the requirements of seciton 406(a) or section 407 but for his removal from the home of a relative (specified in section 406(a)), if—

* * * * * * *

(h) For purposes of titles XIX and XX, any child with respect to whom foster care maintenance payments are made under this section shall be deemed to be a dependent child as defined in section 406 and shall be deemed to be a recipient of [aid to families with dependent children] *aid in the form of child support supplements* under part A of this title.

* * * * * * *

ADOPTION ASSISTANCE PROGRAM

SEC. 473. [42 U.S.C. 673] (a)(1)(A) Each State having a plan approved under this part shall enter into adoption assistance agreements (as defined in section 475(3)) with the adoptive parents of children with special needs.

* * * * * * *

(b) For purposes of titles XIX and XX, any child—

* * * * * * *

(2) with respect to whom foster care maintenance payments are being made under section 472,

shall be deemed to be a dependent child as defined in section 406 and shall be deemed to be a recipient of [aid to families with dependent children] *aid in the form of child support supplements* under part A of this title in the State where such child resides.

* * * * * * *

PART F—WAIVER AUTHORITY

PURPOSE

SEC. 491. The purpose of this part is—

(1) to find and test new ways to use Federal and State funds to assist families and individuals in achieving financial independence through education, training, and work experience; and

(2) to allow States maximum flexibility in using funds that now support low-income families and individuals in order to relieve poverty and its effects.

AUTHORIZATION OF APPROPRIATIONS

SEC. 492. There are authorized to be appropriated for fiscal year 1989 and each fiscal year thereafter such sums as may be necessary to carry out the provisions of this part.

SUBMISSION OF APPLICATIONS

SEC. 493. (a) In order to conduct a demonstration in accordance with the provisions of this part, a State shall submit an application for approval, consistent with the requirements of this part, to the Secretary.

(b) The Secretary shall have continuing responsibility for the approval of each application submitted by a State under this part and for conducting evaluations (in accordance with the principles of experimental design) of each demonstration conducted under this part. In exercising his responsibility to approve applications under this part, the Secretary shall assure that not more than 50 demonstrations are conducted under this part at any time.

(c)(1) The Secretary, in exercising his responsibility with respect to the approval of each application submitted by a State under this part, shall consider the following general policy goals:

(A) To insure that public assistance is an adequate supplement for other resources in meeting essential needs.

(B) To focus public assistance resources on efforts to reduce future dependency on public assistance.

(C) To insure that adequate support is provided for children.

(D) To make work more rewarding than welfare.

(E) To place greater emphasis on education, training, and work-related activities as an integral part of public assistance programs.

(F) To encourage the formation and maintenance of economically self-reliant families.

(G) To encourage public assistance recipients to assume greater responsibility for managing their resources.

(H) To create opportunities for self-reliance through education and enterprise.

(I) To promote the most efficient and effective operation of public assistance programs.

(2) Demonstrations conducted under this part may address any of the general policy goals specified in paragraph (1), but the Secretary shall give special consideration to demonstrations designed—

(A) to provide effective means for assisting the Nation's citizens to avoid poverty;

(B) to improve methods of helping public assistance recipients achieve economic independence;

(C) to improve methods of providing more adequate support for low-income children;

(D) to provide coordination of employment and training programs currently supported by Federal or State funds, including programs under the Job Training Partnership Act, United

States Employment Service programs, adult education programs, vocational education programs, and the various employment, training, and work programs established under title IV;

(E) to provide transitional assistance (including health-care coverage and child care) to individuals who become ineligible for child support supplements under part A of title IV as a result (wholly or partly) of the collection or increased collection of child or spousal support under part D of such title, or, as a result of increased hours of, or increased income from, employment;

(F) to increase the number of determinations of paternity and improve the collection of child support awards for individuals with respect to whom child support supplements are paid under the State's plan approved under part A of title IV;

(G) to provide child care to the children of participants in work, training, or education programs;

(H) to increase efforts by nongovernmental organizations to help public assistance recipients achieve economic independence; and

(I) to address and promote the needs of rural areas.

(d)(1) An application to conduct a demonstration under this part may include (as a program to be included in the demonstration)—

(A) the child support supplement program under part A of title IV;

(B) the job opportunities and basic skills training program under part A of title IV;

(C) the child support enforcement program under part D of title IV;

(D) emergency assistance to needy families under part A of title IV;

(E) social services block grant under title XX; and

(F) any non-Federal public program operated within the State which is designed to alleviate poverty.

(2) An application under this part shall be submitted by the Governor or his designee to the Secretary and shall describe in detail the demonstration to be conducted with particular reference to—

(A) the program or programs to be included in the demonstration;

(B) the classes of individuals and families who will be eligible to participate;

(C)(i) the principles for determining eligibility for and maximum total benefits under the programs included in the demonstration, including income and asset limits to be applied, the form or forms in which benefits are to be provided (such as cash, in kind, vouchers, insurance, or services), and the dollar value to be assigned to benefits to be provided in a form other than cash, and

(ii) information sufficient to demonstrate that (I) except in accordance with paragraph (4)(C), benefit levels (including the value of in-kind benefits) with respect to any individual and family are not reduced as a result of participation in the demonstration below the level at which such benefits would be in the absence of such demonstration, or (II) if such benefits are

reduced, the State makes payments to the individual or family in an amount sufficient to maintain benefits at such level; and

(D) the way in which the demonstration is expected to improve (i) the opportunities and abilities of low-income individuals and families to achieve economic independence through employment, (ii) the functioning of low-income communities in support of the efforts of such individuals and families to attain independence, and (iii) the efficiency and effectiveness of the programs included in the demonstration.

(3) The application shall specify the employment-related activities, such as job search, education, and work and training activities designed to improve directly employability, that will be required of individuals receiving assistance under the demonstration, and the circumstances in which such individuals will not be required to participate in such activities.

(4) The application shall, with respect to any demonstration that includes a work, education, or training activity—

(A) describe plans for providing child care for individuals required to participate in such activity;

(B) contain assurances that—

(i) no individual shall be required to participate in any such activity if such individual does not have child care,

(ii) work assignments performed for benefits shall be assigned an hourly value of not less than the applicable Federal or State minimum wage,

(iii) participants shall not be required to accept work assignments that pose health or safety hazards, require the participant to travel an unreasonable distance from home, or require the participant to spend the night away from home,

(iv) work assignments shall not be used to displace current employees or result in the impairment of existing contracts for services or collective bargaining agreements,

(v) appropriate workers' compensation shall be provided to all participants on the same basis as such compensation is provided to other individuals in the State in similar employment, and

(vi) participants shall be provided with an opportunity for a fair hearing in the event of a dispute involving an assignment to any such activity;

(C) describe what (if any) sanctions will be employed if a participant fails, without good cause, to cooperate with work-related provisions in the demonstration and what provision shall be made to care for dependent children in the event such sanctions are imposed; and

(D) describe the circumstances under which individuals will not be required to participate in any such activity.

(5) The application also—

(A) specify the geographic area or the political subdivisions within which the demonstration will be conducted and designate the agency responsible for the day-to-day conduct of the demonstration;

(B) describe steps that will be taken to make the information required by paragraphs (2) and (3) readily available to the public in the geographic areas or political subdivisions affected;

(C) specify the time period during which the demonstration will be conducted and the reasons that such period was selected;

(D)(i) specify the laws or parts thereof, and the regulations thereunder or parts thereof, applicable to any Federal or federally assisted program to be included in the demonstration for which waiver is requested, and

(ii) contain assurances that any such waiver granted with respect to a demonstration does not (I) hinder interstate child support collection and paternity establishment efforts, or (II) reduce the level of child support collections;

(E) contain a budget setting forth the amounts and sources of funding for the demonstration (derived in accordance with section 494(a));

(F) provide for the conduct of audits in accordance with the provisions of chapter 75 of title 31, United States Code; and

(G) contain an agreement to submit an annual report and such interim data and reports as are considered necessary by the Secretary.

The agency designated in subparagraph (A) may conduct the demonstration directly, or may do so, in whole or in part, through grants to or contracts with public or private agencies, or individuals, but the Governor must in any case retain final responsibilities for compliance with all requirements imposed by or pursuant to this title, and with actions agreed to by the State in its approved application.

(6)(A) The application shall describe the procedures for determining the initial and continuing eligibility of, and benefits for, individuals and families, and all administrative and fiscal procedures to be applied in the conduct of the demonstration. Such procedures must insure that all eligibility and benefit amount standards will be accurately applied and that funds under the demonstration will be expended consistent with principles of sound fiscal management. Such procedures shall provide the same safeguards to which individuals and families would be entitled in the absence of the demonstration.

(B)(i) The procedures described under subparagraph (A) must provide that benefits from any cash or inkind program that are excluded under Federal law from being regarded as income or resources with respect to determining eligibility under any other Federal, State, or local program shall continue to be so excluded under a demonstration conducted under this part.

(ii) For purposes of determining the amount to be excluded under clause (i), subject to subsection (d)(2)(C)(ii), the Secretary may allow States operating demonstrations under this part to specify average amounts (reflecting various categories of households) with respect to the value of any benefits to be paid under such demonstrations. Such amounts shall be readily accessible to any governmental agency that administers programs with respect to which clause (i) applies.

FUNDING AND BUDGET

SEC. 494. (a)(1) Subject to subsection (i), prior to approval by the Secretary of an application under this part, the head of each Federal department or agency with responsibility for a program to be included in the demonstration shall, with respect to each such program (or part of a program), estimate the amount of Federal funds that would, but for the demonstration, be provided to the State, or an entity within the State eligible to receive such funds, to operate such program (or part of a program) during each fiscal year that the demonstration is in effect and the amount of non-Federal funds that would be required in order that the State be eligible for such Federal funds. Each Federal department or agency head shall provide a statement of the principles and assumptions to be employed in making such estimates, including, in the case of any program with respect to which the department or agency head has discretion in the provision of funds, the recent experience of such State (or grantees or contractors within the State) with respect to fund awards under such program. The principles and assumptions shall be consistent with all Federal laws and regulations applicable to the program, and the funding of the program, as in effect at the time the estimates are made.

(2) A State shall provide the Secretary with a statement of the principles and assumptions it employed in developing its funding levels and budget (as set forth in its application pursuant to section 493(d)(5)(e)).

(b) The Secretary shall determine whether the funding determined by the Federal agency heads referred to in subsection (a)(1), and the budget and underlying principles and assumptions described in subsection (a)(2) as submitted by the State, are consistent and are adequate to carry out the demonstration.

(c) If, during any fiscal year that the demonstration is in operation, the Federal laws or regulations under which such funding is authorized or provided are amended, or new Federal law applicable to any such program is enacted (or new regulations adopted), the Secretary shall adjust the amounts reflected in the budget set forth in the application under this part in accordance with applicable Federal law and regulations and the principles and assumptions referred to in subsection (a). In any event such budget shall be reviewed and revised, in accordance with such principles and assumptions and all currently applicable Federal law and regulations, not less frequently than annually.

(d) The amount determined pursuant to subsection (b), or the adjusted amount adopted pursuant to subsection (c), shall be the amount of Federal funds available for carrying out the demonstration in any fiscal year.

(e) The Secretary shall establish a schedule pursuant to which payments will be made by each agency responsible for the administration of a program included in the demonstration from the funds appropriated to carry out such program.

(f) Notwithstanding the preceding provisions of this section, if it is determined at any time that the State received, prior to the commencement of the demonstration, an amount of Federal funds under any program included in the demonstration in excess of the amount

of which it was entitled, or which it should have received, by reason of the application of any provision regarding erroneous expenditures under the program or because of overpayment by the Federal government to the State for any other reason, the amount which the State would otherwise receive to carry out the demonstration shall be reduced (subject to any moratorium in effect with respect to adjustments for such expenditures or overpayment) to the same extent and in accordance with the same procedures (including any administrative or judicial appeals) as would have been applied had the State continued to operate, apart from the demonstration, the program in which the overpayment is determined to have been made.

(g)(1) The Secretary shall establish a single non-Federal share requirement for each year. Under such requirement, the percentage of non-Federal funds expended under the demonstration shall be no less than the percentage of non-Federal funds that would have been expended in the absence of the demonstration under the programs (or parts of programs) included in the demonstration.

(2) The Secretary shall establish a single set of technical grant or contract requirements applicable to the conduct of the demonstration.

(h) Notwithstanding any other provision of law, to the extent that the amount of Federal funds necessary to carry out the demonstration, either for assistance to individuals or families or for the costs of administration, is less than the amount contained in the budget set forth in the application under this part by reason of the effectiveness of the demonstration in achieving the objectives of this title, no adjustment shall be made in amounts payable to the State for such demonstration, and the State may treat such Federal funds as reimbursement for expenditures properly made by the State under the programs concerned, to the extent that such funds are used by the State to improve the demonstration or otherwise benefit individuals and families included in the demonstration.

(i)(1) Notwithstanding any other provision of this section, with respect to any program included in the application for which benefits are provided on an entitlement basis, a State may propose in its application that expenditures under such program (including the Federal and non-Federal shares of such expenditures) be continued as an entitlement in accordance with such terms and conditions as the State proposes in the application. In the event a State makes such proposal, the head of each Federal department or agency with responsibility for the program with respect to which the proposal is made shall estimate the amount of funds that would be expended under the proposed demonstration and the difference between such amount and the amount of funds that would, but for the demonstration, be expended. Such department or agency head shall report the results of such estimate to the Secretary along with a statement of the principles and assumptions it employed in making such estimate, including, in the case of any program with respect to which the department or agency head has discretion in the provision of funds, the recent experience of such State (or grantees or contractors within the State) with respect to fund awards under such program. The principles and assumptions shall be consistent with all Federal laws and regulations applicable to the program, and the funding of the program, as in effect at the time the estimates are made.

(2) The Secretary shall reject any proposal made under paragraph (1) that, as estimated under such paragraph, would result in a large decrease or increase in the amount of Federal funds expended for the program with respect to which the proposal is made. If the Secretary approves the proposal, such program shall not be treated as part of the application for purposes of subsection (a) and the amount of Federal funds available for carrying out such program shall be the amount determined in accordance with this subsection.

APPROVAL OF APPLICATION

SEC. 495. (a)(1) The Secretary shall only approve an application under this part if—

(A) the rights of individuals and families under title VI of the Civil Rights Act of 1964, the Age Discrimination Act of 1973, title IX of the Education Amendments of 1972, title VIII of the Civil Rights Act of 1968, and all other applicable law prohibiting discrimination are protected; and

(B) all requirements of this part, including the budget, are met.

(2) The Secretary shall not approve an application under this part if approving such application would result in more than 50 demonstrations being conducted under this part at any one time.

(b)(1) The Secretary shall notify a State of his decision whether to approve an application submitted under this part not later than four months after the date such application is submitted.

(2)(A) If an application is approved under this part, the Secretary shall promptly notify the Governor of the provisions of law and regulation that are waived for the period of the demonstration, the amount of federal funding that will be availble for all programs included in the application, and the schedule of payments.

(B) If the Secretary decides not to approve an application under this part, the Secretary shall promptly notify the Governor of the basis for such decision.

(c) In the case of an application that meets the requirements of this part, the Secretary may, at the request of the State, waive any provision of law or regulation (other than one imposed by or pursuant to this section) applicable to a program included in an application under this part to the extent the Secretary determines that such waiver is appropriate.

EXCLUSIVITY OF ELIGIBILITY UNDER DEMONSTRATION

SEC. 496. (a) Notwithstanding any other provision of law, once an application has been approved by the Secretary, if an individual or family is within a class eligible to participate in a demonstration under such application, then such individual or family shall only be eligible for benefits (whether provided in cash, in kind, in the form of services, or in any other form or manner) under a program included in the demonstration under the terms and as part of the demonstration (including individuals or families who are ineligible for benefits under the demonstration solely by reason of their

income or assets or their failure to comply with a condition of eligibility for benefits under the demonstration).

(b) An individual or family participating in a demonstration under this part shall be eligible for any program that is not included in the demonstration if such individual or family would be eligible for the program in the absence of the demonstration.

REPORTS TO THE CONGRESS; CHANGES IN DEMONSTRATION

SEC. 497. (a)(1) Not later than one year after the date on which a demonstration is terminated in accordance with section 498, the Secretary shall submit to Congress a final report regarding the evaluations conducted under this part.

(2) The Secretary shall submit an annual progress report to Congress describing the demonstrations being conducted during a year and their effectiveness in achieving the objectives of this part. Such report shall be based on the interim reports submitted by States pursuant to section 493(d)(5)(G).

(b)(1) If a State determines that an amendment to the demonstration, as described in its application as originally submitted, would improve the likelihood of its accomplishing the objectives of this part, the State may submit such amendment to the Secretary.

(2) The Secretary shall approve the amendment submitted under paragraph (1) if—

(A) the amendment meets all the requirements for submission under this part that applied to the application as originally submitted to and approved by the Secretary, and

(B) the cash, in-kind benefits, and services to which individuals are entitled under the demonstration are not substantially altered.

(3) The Secretary shall notify the Governor of the effective date of the amendment, the increased Federal and non-Federal funding (if any) that will be made available, and any other matters necessary to implement the amendment without adversely affecting the conduct of the demonstration.

TERMINATION OF PROJECTS

SEC. 498. (a) Except as provided in subsection (b), a demonstration under this part shall be conducted for a period of not more than five years.

(b)(1)(A) If the Governor of a State conducting a demonstration under this part determines that the demonstration is not (or is not likely to be) effective and that the interests of the Federal government, the State, or the participating individuals and families would be better served be returning to the separate conduct of the programs included in the application, the Governor may terminate the demonstration in accordance with subparagraph (B).

(B) The Governor shall notify the Secretary of his decision to terminate the demonstration under subparagraph (A) not later than three months before the date of termination (or not later than such other date as the Governor and Secretary may select).

(2) If the Secretary determines that a demonstration is not meeting any condition of approval described in section 495, the Secretary

may terminate the demonstration in accordance with the schedule of termination described in paragraph (1)(B).

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TITLE XI—GENERAL PROVISIONS AND PEER REVIEW

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PART A—GENERAL PROVISIONS

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Sec. 1108. Limitation on payments to Puerto Rico, the Virgin Islands, [and Guam] *Guam, and American Samoa.*

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PART A—GENERAL PROVISIONS

DEFINITIONS

SEC. 1101. [42 U.S.C. 1301] (a) When used in this Act—

(1) The term "State", except where otherwise provided, includes the District of Columbia and the Commonwealth of Puerto Rico, and when used in titles IV, V, VII, XI, and XIX includes the Virgin Islands and Guam. Such term when used in titles III, IX, and XII also includes the Virgin Islands. Such term when used in title V and in part B of this title also includes American Samoa, the Northern Mariana Islands, and the Trust Territory of the Pacific Islands. Such term when used in title XIX also includes the Northern Mariana Islands and American Samoa. In the case of Puerto Rico, the Virgin Islands, and Guam, titles I, X, and XIV, and title XVI (as in effect without regard to the amendment made by section 301 of the Social Security Amendments of 1972) shall continue to apply, and the term "State" when used in such titles (but not in title XVI as in effect pursuant to such amendment after December 31, 1973) includes Puerto Rico, the Virgin Islands, and Guam. Such term when used in title XX also includes the Virgin Islands, Guam, and the Northern Mariana Islands. *Such term when used in title IV also includes American Samoa.*

* * * * * * *

LIMITATION ON PAYMENTS TO PUERTO RICO, THE VIRGIN ISLANDS, [AND GUAM] *GUAM, AND AMERICAN SAMOA*

SEC. 1108. [42 U.S.C. 1308] (a) The total amount certified by the Secretary of Health and Human Services under titles I, X, XIV, and XVI, and under parts A and E of title IV (exclusive of any amounts on account of services and items to which subsection (b) *or, in the case of part A of title IV, section 403(k)* applies)—

(1) for payment to Puerto Rico shall not exceed—

(A) * * *

* * * * * * *

(E) $24,000,000 with respect to each of the fiscal years 1972 through 1978, [or]

[(F) $72,000,000 with respect to the fiscal year 1979 and each fiscal year thereafter;]

(F) $72,000,000 with respect to each of the fiscal years 1979 through 1988, or

(G) $82,000,000 with respect to fiscal year 1989 and each fiscal year thereafter;

* * * * * * *

(2) for payment to the Virgin Islands shall not exceed—

(A) * * *

* * * * * * *

(E) $800,000 with respect to each of the fiscal years 1972 through 1978, [or]

[(F) $2,400,000 with respect to the fiscal year 1979 and each fiscal year thereafter;]

(F) $2,400,000 with respect to each of the fiscal years 1979 through 1988, or

(G) $2,800,000 with respect to fiscal year 1989 and each fiscal year thereafter;

* * * * * * *

(3) for payment to Guam shall not exceed—

(A) * * *

* * * * * * *

(E) $1,100,000 with respect to each of the fiscal years 1972 through 1978, [or]

[(F) $3,300,000 with respect to the fiscal year 1979 and each fiscal year thereafter.]

(F) $3,300,000 with respect to each of the fiscal years 1979 through 1988, or

(G) $3,800,000 with respect to fiscal year 1989 and each fiscal year thereafter.

* * * * * * *

(b) The total amount certified by the Secretary under part A of title IV, on account of family planning services [and services provided under section 402(a)(19)] with respect to any fiscal year—

* * * * * * *

(d) The total amount certified by the Secretary under parts A and E of title IV (exclusive of any amounts on account of services and items to which, in the case of part A of such title, section 430(k) applies) with respect to a fiscal year for payment to American Samoa shall not exceed $1,000,000.

[(d)] *(e)* Nothing in this Act shall be construed as authorizing any Federal official, agent, or representative, in carrying out any of the provisions of this Act, to take charge of any child over the objection of either of the parents of such child, or of the person standing in loco parentis to such child.

* * * * * * *

DEMONSTRATION PROJECTS

SEC. 1115. [42 U.S.C. 1315] (a) In the case of any experimental, pilot, or demonstration project which, in the judgment of the Secretary, is likely to assist in promoting the objectives of title I, X, XIV, XVI, or XIX, or part A or D of title IV, in a State or States—

* * * * * * *

(b)(1) In order to permit the States to achieve more efficient and effective use of funds for public assistance, to reduce dependency, and to improve the living conditions and increase the incomes of individuals who are recipients of public assistance, any State having an approved plan under part A of title IV may, subject to the provisions of this subsection, establish and conduct not more than three demonstration projects. In establishing and conducting any such project the State shall—

(A) * * *

* * * * * * *

(C) provide that participation in such project by any individual receiving [aid to families with dependent children] *aid in the form of child support supplements* be voluntary.

* * * * * * *

(d)(1) In order to encourage States to develop innovative education and training programs for children receiving child support supplements under State plans approved under section 402(a), any State may establish and conduct one or more demonstration projects, targeted to such children, designed to test financial incentives and alternative approaches to reducing the number of school dropouts, encouraging skill development, and avoiding welfare dependence.

(2) The Secretary may make grants to States to assist in financing demonstration projects under this subsection.

(3) Demonstration projects under this subsection shall meet such conditions and requirements as the Secretary shall prescribe, and each such project shall be conducted for at least one year but for no longer than 5 years.

(4) There are authorized to be appropriated $500,000 for each of the fiscal years 1989, 1990, 1991, 1992, and 1993 for the purpose of making grants to States to conduct demonstration projects under this subsection.

(e)(1) In order to encourage States to employ or arrange for the employment of parents of dependent children receiving child support supplements under State plans approved under section 402(a) as providers of child care for other children receiving such supplements, up to five States may undertake and carry out demonstration projects designed to test whether such employment will effectively facilitate the conduct of the education, training, and work program under section 417 by making additional child care services available to meet the requirements of section 402(g)(1)(A) while affording significant numbers of families receiving such supplements a realistic opportunity to avoid welfare dependence.

(2) The Secretary shall consider all applications received from States desiring to conduct demonstration projects under this subsection, shall approve up to five applications involving projects which

appear likely to contribute significantly to the achievement of the purpose of this subsection, and shall make grants to those States the applications of which are approved to assist them in carrying out such projects. Each project conducted under this subsection shall meet such conditions and requirements as the Secretary shall prescribe.

(3) There are authorized to be appropriated $1,000,000 for each of the fiscal years 1989, 1990, 1991, 1992, and 1993 for the purpose of making grants to States to carry out demonstration projects under this subsection.

* * * * * * *

ALTERNATIVE FEDERAL PAYMENT WITH RESPECT TO PUBLIC ASSISTANCE EXPENDITURES

SEC. 1118. [42 U.S.C. 1318] In the case of any State which has in effect a plan approved under title XIX for any calendar quarter, the total of the payments to which such State is entitled for such quarter, and for each succeeding quarter in the same fiscal year (which for purposes of this section means the 4 calendar quarters ending with September 30), under paragraphs (1) and (2) of sections 3(a), 403(a), 1003(a), and 1603(a) shall, at the option of the State, be determined by application of the Federal medical assistance percentage (as defined in section 1905), instead of the percentages provided under each such section, to the expenditures under its State plans approved under titles I, X, XIV, and XVI, and part A of title IV, which would be included in determining the amounts of the Federal payments to which such State is entitled under such sections, but without regard to any maximum on the dollar amounts per recipient which may be counted under such sections. For purposes of the preceding sentence, the term "Federal medical assistance percentage" shall, in the case of Puerto Rico, the Virgin Islands, and Guam, mean 75 per centum *and shall, in the case of American Samoa, mean 75 percentum with respect to part A of title IV.*

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TITLE XIX—GRANTS TO STATES FOR MEDICAL ASSISTANCE PROGRAMS

* * * * * * *

STATE PLANS FOR MEDICAL ASSISTANCE

SEC. 1902. [42 U.S.C. 1396a] (a) A State plan for medical assistance must—

* * * * * * *

(10) provide—

(A) for making medical assistance available, including at least the care and services listed in paragraphs (1) through (5) and (17) of section 1905(a), to—

(i) all individuals—

(I) who are receiving aid or assistance under any plan of the State approved under title I, X, XIV, or XVI, or part A or part E of title IV (including individuals eligible under this title by reason of section 402(a)(37), 406(h), or 473(b), or considered by the State to be receiving such aid as authorized under section [414(g)] *417(f)(6)*),

(II) with respect to whom supplemental security income benefits are being paid under title XVI or who are qualified severely impaired individuals (as defined in section 1905(q)), or

(III) who are qualified [pregnant women or children] *family members* as defined in section 1905(n);

* * * * * * *

(e)(1) [Notwithstanding any other provision of this title, effective January 1, 1974, each State plan approved under this title must provide that each family which was receiving aid pursuant to a plan of the State approved under part A of title IV in at least 3 of the 6 months immediately preceding the month in which such family became ineligible for such aid because of increased hours of, or increased income from, employment, shall, while a member of such family is employed, remain eligible for assistance under the plan approved under this title (as though the family was receiving aid under the plan approved under part A of title IV) for 4 calendar months beginning with the month in which such family became ineligible for aid under the plan approved under part A of title IV because of income and resources or hours of work limitations contained in such plan.] *For provisions relating to extension of coverage for certain families which have received child support supplements pursuant to a State plan approved under part A of title IV and which have earned income, see section 1923.*

* * * * * * *

DEFINITIONS

SEC. 1905. [42 U.S.C. 1396d] For purposes of this title—

(a) The term "medical assistance" means payment of part or all of the cost of the following care and services (if provided in or after the third month before the month in which the recipient makes application for assistance or, in the case of a qualified medicare beneficiary described in subsection (p)(1), if provided after the month in which the individual becomes such a beneficiary) for individuals, and, with respect to physicians' or dentists' services, at the option of the State, to individuals (other than individuals with respect to whom there is being paid, or who are eligible, or would be eligible if they were not in a medical institution, to have paid with respect to them a State supplementary payment and are eligible for medical assistance equal in amount, duration, and scope to the medical assistance made available to individuals described in section 1902(a)(10)(A)) not receiving aid or assistance under any plan of the State approved under title I, X, XIV, or XVI, or part A of title IV,

and with respect to whom supplemental security income benefits are not being paid under title XVI, who are—

* * * * * * *

(vii) blind or disabled as defined in section 1614, with respect to States not eligible to participate in the State plan program established under title XVI, [or]

(viii) pregnant women,

but whose income and resources are insufficient to meet all of such cost—

(1) * * *

* * * * * * *

(21) any other medical care, and any other type of remedial care recognized under State law, specified by the Secretary;

except as otherwise provided in paragraph (16), such term does not include—

(A) any such payments with respect to care or services for any individual who is an inmate of a public institution (except as a patient in a medical institution); or

(B) any such payments with respect to care or services for any individual who has not attained 65 years of age and who is a patient in an institution for mental diseases[.], *or*

(ix) individuals provided extended benefits under section 1923,

* * * * * * *

(n) The term "qualified [pregnant woman or child] *family members*" means—

(1) a pregnant woman who—

(A) would be eligible for aid to families with dependent children under part A of title IV (or would be eligible for such aid if coverage under the State plan under part A of title IV included aid to families with dependent children of unemployed parents pursuant to section 407) if her child had been born and was living with her in the month such aid would be paid, and such pregnancy has been medically verified;

[(B) is a member of a family which would be eligible for aid under the State plan under part A of title IV pursuant to section 407 if the plan required the payment of aid pursuant to such section; or]

(B) is a member of a family that would be receiving child support supplements under the State plan under part A of title IV pursuant to section 407 if the State had not exercised the option under section 407(b)(2)(B)(i); or

(C) otherwise meets the income and resources requirements of a State plan under part A of title IV; [and]

(2)*(A)* a child who is under 5 years of age, who was born after September 30, 1983 (or such earlier date as the State may designate), and who meets the income and resources requirements of the State plan under part A of title IV[.]; *and*

(B) a child who is under 18 years of age and who is a member of a family described in paragraph (1)(B); and

(3) at the option of the State, any individual who is a member of a family described in paragraph (1)(B).

* * * * * * *

EXTENDED ELIGIBILITY FOR MEDICAL ASSISTANCE

SEC. 1923. (a)(1) Notwithstanding any other provision of this title, each State plan approved under this title must provide that each family which was receiving child support supplements pursuant to the plan of the State approved under part A of title IV in at least three of the six months immediately preceding the month in which such family becomes ineligible for such supplements as a result of increased hours of, or increased income from, employment or as a result of section 402(a)(8)(B)(ii)(II) shall, subject to paragraph (3), and without any reapplication for benefits under the plan, remain eligible for assistance under the plan approved under this title during the immediately succeeding six-month period in accordance with this subsection.

(2) Each State, in the notice of termination of supplements under part A of title IV sent to a family meeting the requirements of paragraph (1)—

(A) shall notify the family of its right to extended medical assistance under this subsection and include in the notice a description of the circumstances (described in paragraph (3)) under which such extension may be terminated; and

(B) shall include a card or other evidence of the family's entitlement to assistance under this title for the period provided in this subsection.

(3)(A) Subject to subparagraph (B), extension of assistance for the six-month period described in paragraph (1) shall be denied to a family for any month—

(i) in which the family does not include a child who is (or would if need be) a dependent child under part A of title IV (except that, with respect to a child who is an individual described in clause (i) or (v) of section 1905(a), who would cease to receive medical assistance because of clause (i) of this subparagraph, but who may be eligible for assistance under the State plan because of section 1902(a)(10)(A)(ii), the State may not discontinue such assistance under this subparagraph until the State has determined that the child is not eligible for assistance under the plan);

(ii) beginning after a month during which the caretaker relative has—

(I) submitted false or misleading information in order to obtain child support supplements under part A of title IV,

(II) been subject to a sanction under section 417(i) (but only if the caretaker relative has been subject to the sanction within the preceding 12 months),

(III) without good cause, terminated his or her employment, refused to accept employment, or reduced his or her hours of employment, or

(IV) failed to cooperate with the State as required under subparagraph (B) or (C) of section 402(a)(26); and

(iii) beginning after the twelfth month out of the preceding 36 months for which the individual has received assistance under this subsection or subsection (b).

(B) No denial of assistance shall become effective under subparagraph (A) until the State has provided the family with notice of the grounds for the denial, which notice shall include, in the case of denial under subparagraph (A)(ii)(III), a description of how the family may reestablish eligibility for medical assistance under the State plan.

(4)(A) Subject to subparagraph (B), during the six-month extension period under this subsection, the amount, duration, and scope of medical assistance made available with respect to a family shall be the same as if the family were still receiving child support supplements under the plan approved under part A of title IV.

(B) A State, at its option, may pay a family's expenses for premiums, deductibles, coinsurance, or similar costs for health insurance or other health coverage offered by an employer of the caretaker relative (and, if the health insurance or coverage provides more cost-effective coverage, by an employer of the absent parent who is paying child support for a dependent child). In the case of such coverage offered by an employer of the caretaker relative—

(i) the State may require the caretaker relative, as a condition of extension of coverage under this subsection, to make application for such employer coverage (but only if the State provides, directly or otherwise, for payment of any of the premium amount, deductible, coinsurance, or similar expense that the caretaker relative is otherwise required to pay); and

(ii) the State shall treat the coverage under such an employer plan as a third party liability (under section 1902(a)(25)).

Payments for coverage under this subparagraph shall be considered, for purposes of section 1903(a), to be payments for medical assistance.

(b)(1) Notwithstanding any other provision of this title, each State plan approved under this title shall provide that the State shall offer to each family, which has received assistance during the entire six-month period under subsection (a) and which meets the requirement of paragraph (2)(B), in the last month of the period, the option of extending coverage under this subsection for the succeeding six-month period.

(2)(A) Each State, during the second and fourth month of any extended assistance furnished to a family under subsection (a), shall notify the family of the family's option for subsequent extended assistance under this subsection. Each such notice shall include (i) a statement of monthly reporting requirements, (ii) a statement as to the premiums required for such extended assistance, and (iii) a description of other out-of-pocket expenses, benefits, reporting and payment procedures, and any pre-existing condition limitations, waiting periods, or other coverage limitations imposed under any alternative coverage options offered under paragraph (4)(D).

(B) Each State shall require that a family receiving extended assistance under subsection (a) report the family's gross monthly earnings (and monthly costs of child care incurred by reason of the employment of the caretaker relative) to the State on such date or dates

(as chosen by the State) after the second month of extended assistance under subsection (a).

(3)(A) Subject to subparagraph (B), extension of assistance for the six-month period described in paragraph (1) shall be denied to a family for any month——

(i) in which the family does not include a child who is (or would if needy be) a dependent child under part of title IV (except that, with respect to a child who is an individual described in clause (i) or (v) of section 1905(a), who would cease to receive medical assistance because of clause (i) of this subparagraph, but who may be eligible for assistance under the State plan because of section 1902(a)(10)(A)(ii), the State may not discontinue such assistance under this subparagraph until the State has determined that the child is not eligible for assistance under the plan);

(ii) beginning after a month during which the caretaker relative has—

(I) submitted false or misleading information in order to obtain child support supplements under part A of title IV,

(II) been subject to a sanction under section 417(i), (but only if the caretaker relative has been subject to the sanction in the preceding 12 months),

(III) without good cause, terminated his or her employment, refused to accept employment, or reduced his or her hours of employment, or

(IV) failed to cooperate with the State as required under subparagraph (B) or (C) of section 402(a)(26);

(iii) beginning after the twelfth month out of the preceding 36 months for which the individual has received assistance under this section or subsection (a);

(iv) beginning after a month with respect to which the family fails to pay any montly premium required under this subsection in accordance with regulations prescribed by the Secretary (unless the individual establishes, to the satisfaction of the State, good cause for the failure to pay such premium on a timely basis); or

(v) beginning after a month with respect to which—

(I) subject to the last sentence of this subparagraph, the family fails to meet the reporting requirement of paragraph (2)(B) (unless the family establishes, to the satisfaction of the State, good cause for such failure), or

(II) the State determines that the family's average gross monthly earnings (less the costs of such child care as is necessary for the employment of the cartaker relative) during the preceding month exceeds 185 percent of the official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Omnibus Budget Reconciliation Act of 1981) applicable to a family of the size involved.

Information described in clause (v)(I) shall be subject to the restrictions on use and disclosure of information provided under section 402(a)(9). The State shall make determinations under clause (v)(II) for a family each time a report described in clause (v)(I) for the family is received. Instead of terminating a family's extension under

clause (v)(I), a State, at its option, may provide for suspension of the extension until the month after the month in which the family's extension would otherwise be terminated to allow the family additional time to meet the reporting requirement of paragraph (2)(B) (but only if the family's extension has not otherwise been terminated under clause (v)(II)).

(B) No denial of assistance shall become effective under subparagraph (A) until the State has provided the family with notice of the grounds for the denial, which notice shall include, in the case of denial under subparagraph (A)(ii)(III), a description of how the family may reestablish eligibility for medical assistance under the State plan.

(4)(A) During the extension period under this subsection—

(i) the State plan shall offer to each family medical assistance which (subject to subparagraphs (B) and (C)) is the same amount, duration, and scope as would be made available to the family if it were still receiving aid under the plan approved under part A of title IV; and

(ii) the State plan may offer alternative coverage described in subparagraph (D).

(B) At a State's option, notwithstanding any other provision of this title, a State may choose not to provide medical assistance under this subsection with respect to any (or all) of the items and services described in paragraphs (4)(A), (6), (7), (8), (11), (13), (14), (15), (16), (18), (20), and (21) of section 1905(a).

(C) At a State's option, the State may elect to apply the option described in subsection (a)(4)(B) for families electing medical assistance under this subsection in the same manner as such option applies to families provided extended medical assistance under subsection (a).

(D) At a State's option, instead of the medical assistance otherwise made available under this subsection, the State may offer families a choice of health care coverage under one or more of the following:

(i) Enrollment of the caretaker relative and dependent child in a family option of the group health plan offered to the caretaker relative.

(ii) Enrollment of the caretaker relative and dependent children in a family option within the options of the group health plan or plans offered by the State to State employees.

(iii) Enrollment of the caretaker relative and dependent children in a basic State health plan offered by the State to individuals in the State (or areas of the State) otherwise unable to obtain health insurance coverage.

(iv) Enrollment of the caretaker relative and dependent children in a health maintenance organization (as defined in section 1903(m)(1)(A)) less than 50 percent of the membership (enrolled in a prepaid basis) of which consists of individuals who are eligible to receive benefits under this title (other than because of the option offered under this clause).

If a State elects to offer under an option to enroll a family under this subparagraph, the State shall pay any premiums, deductibles, coinsurance, and other costs for such enrollment imposed on the family. A State's payment of premiums for the enrollment of fami-

lies under this subparagraph (not including any premiums otherwise payable by an employer and less the amount of premiums collected from such families under paragraph (5)) shall be considered, for purposes of section 1903(a)(1), to be payments for medical assistance.

(5)(A) Notwithstanding any other provision of this title (including section 1916), a State shall impose a premium for a family for extended coverage under this subsection, but only if the family's gross monthly earnings (less the monthly costs for such child care as is necessary for the employment of the caretaker relative) exceeds 100 percent of the official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Omnibus Budget Reconciliation Act of 1981) applicable to a family of the size involved.

(B) The level of such premium may vary, for the same family, for each option offered by a State under paragraph (4)

(C) In no case may the amount of any premium under this paragraph for a family for any month exceed three percent of the family's gross monthly earnings.

(c) In this section, the term "caretaker relative" has the meaning of such term as used in part A of title IV.

REFERENCES TO LAWS DIRECTLY AFFECTING MEDICAID PROGRAM

SEC. [1923.] *1924.* [42 U.S.C. 1396s] (a) AUTHORITY OR REQUIREMENTS TO COVER ADDITIONAL INDIVIDUALS.—For provisions of law which make additional individuals eligible for medical assistance under this title, see the following:

(1) AFDC.—(A) * * *

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(D) Section [414(g)] *417(f)(6)* of this Act (relating to certain individuals participating in work supplementation programs).

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INTERNAL REVENUE CODE OF 1986

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SEC. 21. EXPENSES FOR HOUSEHOLD AND DEPENDENT CARE SERVICES NECESSARY FOR GAINFUL EMPLOYMENT

(a) ALLOWANCE OF CREDIT.—

(1) IN GENERAL.—In the case of an individual who maintains a household which includes as a member one or more qualifying individuals (as defined in subsection (b)(1)), there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the applicable percentage of the employment-related expenses (as defined in subsection (b)(2)) paid by such individual during the taxable year.

[(2) APPLICABLE PERCENTAGE DEFINED.—For purposes of paragraph (1), then term "applicable percentage" means 30 percent reduced (but not below 20 percent) by 1 percentage point for each $2,000 (or fraction thereof) by which the taxpayer's adjusted gross income for the taxable year exceeds $10,000.]

(2) APPLICABLE PERCENTAGE DEFINED.—For purposes of paragraph (1), the term "applicable percentage" means 30 percent reduced (but not below 0) by the sum of—

(A) 1 percentage point (but no more than a total of 10 percentage points) for each $2,000 (or fraction thereof) by which the taxpayer's adjusted gross income for the taxable year exceeds $10,000, plus

(B) 1 percentage point for each $1,250 (or fraction thereof) by which the taxpayer's adjusted gross income for the taxable year exceeds $70,000.

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SEC. 6109. IDENTIFYING NUMBERS.

(a) SUPPLYING OF IDENTIFYING NUMBERS.—When required by regulations prescribed by the Secretary:

* * * * * * *

(e) FURNISHING NUMBER FOR CERTAIN DEPENDENTS.—If—

(1) any taxpayer claims an exemption under section 151 for any dependent on a return for any taxable year, and

(2) such dependent has attained the age of [5 years] *2 years* before the close of such taxable year,

such taxpayer shall include on such return the identifying number (for purposes of this title) of such dependent.

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DEFICIT REDUCTION ACT OF 1984

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COLLECTION OF NON-TAX DEBTS OWED TO FEDERAL AGENCIES

SEC. 2653. (a)(1) * * *

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(c) The amendments made by this section shall apply with respect to refunds payable under section 6402 of the Internal Revenue Code of 1954 after December 31, 1985[, and before July 1, 1988].

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UNITED STATES CODE

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TITLE 5—GOVERNMENT ORGANIZATION

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§ 5315. Positions at level IV

Level IV of the Executive Schedule applies to the following positions, for which the annual rate of basic pay shall be the rate determined with respect to such level under chapter 11 of title 2, as adjusted by section 5318 of this title:

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Assistant Secretaries of Health and Human Services [(4)] *(5)*.

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